

Assessment Report

Central Asia Customs and Trade Assessment Activity Kazakhstan, Kyrgyzstan and Tajikistan

Submitted by Booz Allen Hamilton
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Attachment I. Notes from Meetings with International and Regional Organizations

ACRONYMS

ADB.	Asian Development Bank
ASYCUDA.	Automated System for Customs Data
BOMCA.	Border Management Central Asia
CADAP.	Central Asia Drug Assistance Program
CAR.	Central Asian Republics
CAREC.	Central Asian Regional Economic Cooperation
CIS.	Commonwealth of Independent States
DOS/EXBS.	Department of State Export Control & Related Border Security Assistance
EDP.	USAID Enterprise Development Project
EURASEC/EAEC.	Eurasian Economic Community
GATT.	General Agreement on Tariffs and Trade
IMF.	International Monetary Fund
IPR.	Intellectual Property Rights
IRU.	International Road Transport Union
ISO.	International Standards Organization
OSCE.	Organization for Security and Cooperation in Europe
SAD.	Single Administrative Document (Customs Goods Declaration)
SME.	Small/Medium Enterprises
TACIS.	Technical Assistance to the Commonwealth of Independent States
TFI.	USAID Trade Facilitation & Investment Project
TIR.	Transport International Routier
UAIS.	Unified Automated Information System
UNDP.	United National Development Programme
UNECE.	United Nations Economic Commission
USAID.	United States Agency for International Development
WCO.	World Customs Organization
WTO.	World Trade Organization

Section A. Activity Background

Overview

During a visit to Central Asia in October 2005, U.S. Secretary of State Condoleezza Rice announced that the United States was prepared to provide new funding for an initiative intended to encourage greater trade and investment in the Central Asia region. The purpose of the initiative, to be conducted under the auspices of the U.S. – Central Asian Trade and Investment Framework Agreement, will be to help the Central Asian countries harmonize and streamline their customs operations based on international standards and best practices, reduce border transaction costs, promote a more transparent and predictable commercial environment, and encourage greater cooperation among international donors, the governments, and the private sector.

Several components were identified as part of this initiative. These elements included: 1) a concise compilation of completed, ongoing, and planned donor-funded trade and customs related technical assistance initiatives conducted in Central Asia; 2) an assessment of current customs and trade facilitation procedures against international standards; 3) a regional workshop at which the results of the assessment and donor review would be presented and specific technical assistance projects that USAID is prepared to carry out would be discussed; 4) the implementation of this specific technical assistance; and 5) a final report on results, lessons learned, and further recommendations.

The USAID Trade Facilitation and Capacity Building Project (FASTrade), implemented by Booz Allen Hamilton, was tasked with conducting these activities and this report focuses on the work carried out to address the first two elements: the review of donor-funded initiatives and the limited assessment of customs operations.

Objectives

From June 9 - 30, 2006, the FASTrade Project conducted a field mission in Central Asia. The main objectives of this mission were to: 1) conduct a limited (one-week) operational review and assessment of the current practices and procedures of the Customs administrations of Kazakhstan, Kyrgyzstan and Tajikistan; 2) identify and recommend measures that could improve customs operations and address administrative and procedural weaknesses; and 3) validate and update information compiled earlier regarding international donor funded technical assistance completed, ongoing and planned in the customs and trade areas.

Specific tasks addressed during the assessment included:

- Conducting meetings with Customs officials and observing Customs operations at representative locations;
- Examining how well operational clearance procedures are functioning and identifying recommendations to ensure faster and more efficient customs clearance to improve compliance and to facilitate trade;
- Conducting interviews of a sampling of stakeholders, including the implementing institutions and relevant supporting private institutions;
- Assessing the Customs broker system and identifying ways in which it can be improved;

- Analyzing the degree to which risk based approaches are being used for selective examinations of import consignments;
- Assessing whether current declarations and examination procedures are consistent with international best practices; and
- Evaluating whether current practices are consistent with the Revised Kyoto Convention on the Simplification and Harmonization of Customs Procedures.

Methodology

The customs operational assessment was conducted using the TradeStream™ assessment methodology developed by Booz Allen Hamilton. TradeStream™ is a trade facilitation and security diagnostic tool that is designed to assess a country's ability to move goods, services, people, and money efficiently and securely across its borders. The full TradeStream™ assessment tool includes four separate segments: Trade Flows, People Flows, Financial Flows, and Infrastructure. Within each TradeStream™ segment, four key dimensions of the trade and commercial environment are addressed: 1) legal framework; 2) implementing institutions; 3) supporting institutions; and 4) social dynamics. Looking at these four dimensions together provides a holistic view of a country's ability to trade efficiently and securely. Separated, they allow diagnosis of specific problem areas needing improvement. Through research and interviews, the assessors consider hundreds of indicators across the dimensions and segments. This analysis provides a comprehensive and dynamic view of the interaction of the laws, institutions, supporting institutions and other factors involved in security and facilitating trade.

Due to the time, budget and scope constraints of the Central Asia assessment activity, the evaluation team focused on the Trade Flows segment in each of the countries. The primary focus of this section is the Customs function and key facilitation and capacity issues within this function, including customs administration and operation of clearance procedures, automation, risk assessment, integrity, and comparisons against international standards. Within the Trade Flows segment, primary attention was paid to three of the dimensions: the legal framework, implementing institution (Customs), and supporting institutions (private sector).

The evaluation team of two customs and trade facilitation advisors and a project coordinator spent one week in each country. To collect the information needed for the TradeStream™ assessment and to address the required tasks, the team interviewed: 1) Customs officials at headquarters offices and at customs processing sites; 2) officials of other trade-related government agencies; 3) representatives of the private sector and business community that are active in the customs and international trade environment, such as importers, exporters, brokers, carriers, forwarders, etc.; and 4) representatives of international donor organizations actively providing technical assistance on customs and trade issues in the region. The team also conducted a survey of information and collected and reviewed existing reports, assessments and analyses on these issues.

The opinions and experience of private sector businesses, as the main users of customs and other trade agency services, are extremely important to informing the overall view of the strengths, weaknesses, attitudes and performance of these agencies. Comments and input provided by private sector representatives are integrated into the body of the country assessment reports. The names of the firms and parties interviewed are not disclosed in these

reports. This assurance was made to the participants in order to encourage an open discussion with the assessment team.

Deliverables

The assessment activity was expected to produce the following deliverables:

1. An assessment report summarizing the findings of the operational review in each country and prioritizing the operational areas in need of further reform;
2. A proposed Action Plan of Assistance for further customs modernization;
3. An updated matrix of recent, ongoing and planned technical assistance initiatives in the customs and trade areas conducted in Central Asia by major international donors.

Section B. Summary of Findings

Short summaries of the findings for each country assessment are presented below, including the identification of areas where additional technical or other assistance may be beneficial. A review of key issues or areas of concern that are common to all three countries is also provided. Additional details on these issues are included in the full Country Assessment Reports that follow this summary section.

Overall, the countries have made progress in addressing problems in their customs processes and institutions, in opening their economies to foreign trade and investment, and in promoting better conditions in their trading environments. Improvements can still be made in several key areas and continued technical assistance and support from international donor organizations and governments will be important in helping to encourage and solidify these improvements. There has been a significant amount of technical assistance provided in the region on customs, trade, transport and related issues. This assistance appears to be fairly well coordinated. Donors active in each of the countries were generally aware of programs being conducted or contemplated by other organizations. Information is shared through regular meetings, less formal interactions, or other means.

Kazakhstan

Based on the assessments team's observations and input provided by private sector and business representatives interviewed, it appears that Kazakhstan's Customs Control Committee is developing into a generally efficient customs environment. Kazakhstan Customs has relatively well-evolved processes and procedures with some automation functions in place. It also appears to have additional internal funding to upgrade and maintain generally efficient Customs posts at the major processing sites. The perspective of the trade community was that, while there is still a critical need for transparent procedures and instructions, Customs is much better than it was ten years ago and it is not the major cause of delays at border stations. However, there was still strong evidence that facilitation payments are being received by Customs officers and that, in some cases, goods may be released without official Customs clearance.

Areas where additional improvement is needed include streamlining of procedures, reducing documentation requirements and automating declaration processing, and incorporating

techniques such as electronic releases, risk management and post clearance controls. There is also need for assistance in the area of the human resource management to promote an environment of professionalism and integrity. Two additional areas where attention would be productive are training and knowledge transfer regarding intellectual property rights legislation and enforcement, and joint Customs/trade seminars in valuation. It was the position of the Customs Control Committee that they would most benefit from a program of knowledge transfer.

There are several ongoing or planned technical assistance efforts in Kazakhstan that will help to further the modernization effort. Eurocustoms is assisting with the modernization of procedures and the World Bank is coordinating a large automation project.

Kyrgyzstan

Kyrgyzstan Customs is in a relatively low state of development, with no overall electronic processing and only a few stand-alone modules used for storing and accessing limited information. Review and discussions with private sector parties revealed that Kyrgyzstan's Customs Code is compliant with international standards. However, the perspective of the trade community is that the adoption of the new Code has not led to an increase in efficiency in the customs clearance process. Instead, the new Code has caused confusion, and clear instructions on Customs procedures are lacking. There was still strong evidence that facilitation payments were being received by Customs officers and that there was contraband on the market, where imported goods may be released without official Customs clearance.

Customs is still paper-based and declarations are prepared on typewriters. The current manual compilation of statistics and forwarding of information to the main office is lagging behind and does not always produce accurate information. There is an ongoing effort to automate declaration processing and to develop a local electronic declaration capability. This effort is in progress and will be piloted in the fall of 2006. There is a significant ADB automation project set to get underway, but Customs is of the opinion that some electronic processing is needed sooner than this new project can deliver.

The Customs Consultative Council, a legacy of the USAID TFI Project, appears to be an effective forum for joint government and private sector efforts to highlight and address customs modernization issues and one which has support from both sides. The Customs Brokers Association is also working to become a dynamic and effective business advocacy organization.

To support the new Customs Code effectively, there is a telling need to develop the accompanying implementing regulations and procedures and to prepare and disseminate clear instructions to the trade community. There is also need for additional upgrading of facilities and inspectional equipment and modernization of procedures. Additional attention is needed in the area of building a professional workforce, increasing salaries to a wage capable of attracting high caliber personnel who would not request or accept unofficial facilitation payments, in the training area, and in the area of electronic declaration processing, incorporating Customs techniques such as risk assessment and post clearance controls. Support to Customs in the drafting of any needed additional Customs Code legislation would also be useful.

Eurocustoms is assisting on the procedural modernization effort and the Asian Development Bank is working on a large overall automation project. USAID's TFI Project was scheduled to close down in the summer of 2006.

Tajikistan

Tajikistan Customs is the least-developed customs department of the three countries assessed and is still in need of a great deal of long-term development and training assistance from donors. There is no automation and no apparent inspectional equipment available. The Tajikistan Customs Code is based on the Russian Customs Code and is generally compliant with international standards, but there are no implementing procedures and there are no clear customs clearance instructions available to the trade community. The salary of Customs officers does not cover even the most basic living requirements and it is understood that many need to supplement their pay by accepting outside payments to overlook violations or expedite clearance. Based on conversations with the private sector, most if not all of the employees are hired directly by Customs on short-term contracts.

Private sector interviewees stated that most consumer goods enter the country without the filing of proper documentation or official Customs clearance, and it appears that based on an average rate of 28% additional duties and taxes over landed costs and the cumbersome documentary procedures, it is cheaper and more efficient to clear goods by making such payments. However, even with the high number of goods entering the market as contraband, Customs still accounts for roughly one half of the government's revenue, highlighting the importance of this agency to the government.

Customs indicated that they would welcome additional assistance from international donors and would be willing to work on drafting instructions on Customs procedures. There is also some need to assist in the drafting of additional provisions to the Customs Code, such as those covering express consignment operations. An additional need identified is to work towards promoting proactive business advocacy groups, such as the newly-founded but non-operational brokers association, and promoting the work of Customs Consultative Councils to foster cooperation between the government and the businesses sector on customs and trade issues.

Eurocustoms and the Asian Development Bank both have projects scheduled to begin in 2006. Eurocustoms will assist in the training and procedural areas, while the ADB is planning a large overall automation effort.

Areas of Common Concern

The Customs administrations of Kazakhstan, Kyrgyzstan and Tajikistan are in different stages of development and evolution, but the assessment indicated that there are key areas of common concern to all three countries. These issues are summarized below.

Incomplete Implementation of Customs Codes, Regulations and Instructions

The USAID TFI Project helped with the drafting of new Customs Codes, based on the Russian Customs Code, and the laws are generally compliant with the WTO Agreement on Customs Valuation and the Revised WCO Kyoto Convention on the Harmonization of Customs Procedures. These new Codes have not, however, been effectively implemented. A complaint heard in all three countries is that the Customs administrations have not developed or issued procedural instructions to accompany the Codes or provided training to the brokers, traders or businesses that must apply the provisions of the new Codes. Brokers and traders who do not understand the new rules are at the mercy and discretion of the Customs officers. For example, reference price lists continue to be used to a large degree and Customs will often not provide the importer or broker with their reasons for not accepting the declared transaction values.

Each of the countries would benefit from assistance that would build on the earlier USAID efforts by 1) identifying opportunities to simplify and fine-tune the Customs Code, and 2) establishing a joint Customs/trade working group to draft clear and concise implementing instructions and prepare brochures or other informational material to be distributed to the public and to the trade community in particular. A primary goal of issuing and disseminating this information would be to reduce the level of discretion that Customs officers have in applying the provisions of the Code and to reduce their ability to seek facilitation payments.

Excessive and Unclear Documentation Requirements

Document requirements are a major concern of importers and exporters in all three countries. Document lists are vague and allow officers too much discretion, which is used as the basis for obtaining unofficial payments. There are typically no instructions provided and many documents serve little real purpose and could be eliminated to help streamline the clearance process. Other government departments have similarly limited expertise and also use their document requirements as a means to obtain unofficial payments. Importers and exporters spend time and money going to multiple offices and dealing with multiple personnel. The World Bank is beginning a project this year in Kyrgyzstan that will build on the USAID EDP project's success in drafting new legislation on technical regulations. The World Bank project will work to implement that law. Similar assistance efforts were not identified in Kazakhstan or Tajikistan, but they are much-needed there too.

Corruption as a Limiting Factor to Reforms and to Effectiveness of Technical Assistance

In virtually every meeting with the private sector in each of the three countries, the interviewees raised the issue of corruption in Customs and in other government agencies as a major concern, even when the issue was not mentioned by the assessment team. Statements were routinely voiced that suggested the prevalence of unofficial payments and their important role in conducting Customs transactions, and that officials paid to "purchase" their positions for personal enrichment. There is a widespread lack of trust in the integrity of Customs and other officials.

While some initiatives, such as efforts to increase automation, can reduce corruption by limiting direct interaction between Customs and traders, any significant positive impact of such efforts

will be minimized until the governments and Customs administrations exert the political will and leadership to begin to bring corruption under control. As long as employees earn salaries that are below the subsistence level, and as long as there are no negative consequences or fear of real punishment, Customs and other government employees will subvert the best of control systems and will continue to be able to freely exact facilitation payments. Modernization and reform efforts can not be truly successful in this type of environment. Moving from an environment where corruption is the accepted norm to one in which integrity is expected is not an easy transition, but it is possible and other developing countries are making that transition. Donors can play a role in this by coming together to insist on an integrity evaluation and action plan to address corruption within Customs in all three countries. Such an integrity assessment would likely need to be made a conditionality of any future technical assistance. This assessment should address in depth the economic impact of Customs corruption on government revenues.

Section C. Country Assessment Reports

Country Assessment Report - Kazakhstan

1. Background

Kazakhstan, the largest and most populous of the three countries visited, has a Customs staff of approximately 5,900 officers. The economy is further developed due to oil and natural gas resources and the maintenance of traditional economic ties with Russia, the main trade partner, responsible for about 60% of goods traded. While the standard of living and civil service salary (\$300 to \$400 per month for an average customs inspector) exceed those found in Kyrgyzstan and Tajikistan, this does not in itself seem to preclude some of the same problems of unofficial payments and release of goods without documentation that were also identified in the two other countries. There appears to be a move on the part of the government to address corruption issues and egregious occurrences receive media coverage.

Key components of a modern Customs include a professional and well trained workforce, transparent and simplified procedures, a well developed risk management system and automation system, and public private cooperation and consultation. Kazakhstan Customs has made progress in many of these areas but there is still additional work to be done. The risk assessment system needs additional development so that non-productive, costly and time consuming physical examinations are not performed. The development of a compliance program for the purposes of educating more importers on the merits of compliance and providing them with simplified procedures would benefit the trade community and lower the cost of goods. Generally, the trade community, both within and outside Kazakhstan, has indicated that customs procedures have improved and that it is now easier to clear goods. The brokerage/clearance agent community seems to be active and knowledgeable and has contributed to the improvements in current Customs legislation.

The Kazakhstan Customs modernization process is being strongly supported by several international donors, including the ADB, World Bank, USAID, and Eurocustoms.

2. Legal Framework

The consensus of the trade community and the FASTrade review is that the Customs Code of Kazakhstan is generally in compliance with WTO requirements, international standards and Revised Kyoto Convention guidelines. There is legal authority for full automation, electronic documents, risk based selective releases, and post-clearance audit reviews. The laws are in conformity with Freedom of Transit and the International Transport of Goods under the cover of TIR Carnets. Legal authority is also provided to resolve all Customs related appeals at the lowest level but court action is also available to all parties if issues cannot be resolved through Customs appeal procedures. The valuation law is in compliance with the WTO Valuation Agreement but the trade community reports that it is not always correctly applied.

Another area of concern is the weakness of the intellectual property rights legislation, which only allows Customs to detain registered goods. The Ministry of Justice has overall authority for IPR enforcement but there is an attempt to shift more responsibility to Customs. Customs is

reluctant to accept this additional legal authority without additional training and knowledge transfer. Customs officials do not feel that their current expertise or laboratory facilities are sufficient to address additional IPR enforcement or responsibility.

More than one member of the trade community indicated that they had worked with Customs on drafting the new Customs Code and that it was a positive experience. Customs was very cooperative and several of the trade recommendations were incorporated into the new law.

3. Implementing Institution – Customs Control Committee

3.1 Customs Headquarters

The FASTrade evaluation team met with Customs Control Committee Deputy Chairman Alikhan Mambetalin and members of his staff. The following needs were identified by Customs:

- receiving guidance on implementation of Revised Kyoto Convention Specific Annexes;
- observing other countries' experiences and practices in implementing simplified procedures for low risk economic operators;
- obtaining information on record-keeping responsibilities, including other countries' practices and legislation; and
- identifying how commodity databases are used by major trading partners: the EU, Turkey and China.

IPR and valuation are also current areas of focus. Kazakhstan has been removed from the US IPR watch list and Mr. Mambetalin indicated that Customs would appreciate practical training on IPR issues.

Customs also indicated that it would be appropriate for the trade community to participate in seminars that would present detailed explanations of the interactions and benefits associated with simplified procedures. Customs is looking for ways to achieve better trade compliance and wants to be able to provide benefits to complying traders, but is concerned that it not lose too much control of the clearance process.

Eurocustoms and the World Bank are working on major technical assistance projects, with Eurocustoms concentrating on legislation, risk analysis, post audit and training and the World Bank concentrating on automation issues. WTO working group experts have been researching Kazakhstan's Customs legislation and have outlined the changes that will need to be made in conjunction with WTO accession.

3.2 Almaty Customs Post

This site has 60 Officers and receives about 200-250 import and export transactions per day. There are also two smaller general cargo sites and three dedicated sites which receive excise cargo, energy related and temporary import cargo in the Almaty area. This site, which includes a help desk and a large overhead electronic board showing the status of each declaration, was

well organized. There were no crowds, lines or apparent delays. The general impression was one of an orderly and professional office structure.

One problem noted is that the operation is structured so that a broker can select the officer who will process his shipment although one can only select from two or three as the other windows are for different regimes. A second problem noted is that staffing seems somewhat excessive for the workload.

Goods move from the border under Customs control to the destination city for Customs processing. The internal transit process involves a bank guarantee, cash deposit, or escort. When goods arrive at the inland terminal, importer's premises, or Customs-controlled warehouse, the transit process is finalized and the declaration is filed. On arrival of the goods, the declaration is filed by the brokerage company or by a certified Customs clearance specialist employed by large companies. (Note: brokers are firms or legal entities rather than individuals, while individuals are referred to as clearance specialists. Those specialists are trained, tested and certified by Customs. Each brokerage firm must employ one or more certified specialists.) The brokerage firm representative files the declaration and attached documents with one of several available Customs officers at the window, at which time it goes through a three step process: step 1 - the officer reviews the declaration; step 2 - the officer then forwards the declaration to another officer for review of classification, value, and origin; step 3 - if no discrepancies are found, the declaration is returned to the broker for payment and release. There is a three-hour maximum time period for processing. At any step in the process, a Customs officer can request a physical examination and the broker must make his documents available at the local terminal where an examining officer will examine goods. If discrepancies are identified, they need to be corrected, otherwise, the duties are paid and the goods are released. Payment is through a bank with funds or debit card and a receipt is provided by Customs. Customs officers do not take official payments directly. Presently, about 70% of the cargo cleared at this site undergoes physical exam. Although this process seemed to be efficient and to be based on modernized paper-based processes, the trade community had some concerns and comments about the customs and trade facilitation process.

Simplified procedures are available to low risk importers who apply and have their compliance history reviewed. Compliant and low-risk importers are afforded simplified procedures with cargo moving from the border directly to the importer and declaration and payment made at a later time. About 30% of the importers have been identified as low-risk and are afforded simplified procedures. There are also simplified procedures for low-value cargo and the majority of cargo carried by courier services. These procedures allow the goods to be released with minimum documentation and without having to file declaration or pay the 50 Euro user fee. Customs personnel expressed an interest in updating the system with new software which would allow a better risk system. Customs would also like to have information on a better methodology for tracking movements through the use of more current technology.

4. Supporting Institutions - Private Sector

The trade community indicated that there is a need for the publication of clear instructions for any additional documentary requirements for specific goods and/or a list of minimum documents required at the time of goods clearance. It appears that some officers still apply a

great deal of discretion to request additional documents which may not always be necessary at the time of clearance. The generally accepted premise is that this is done as a vehicle for accepting “facilitation payments.” The following comments were expressed by several freight forwarders, brokers, importers/exporters, and carriers:

4.1 Freight Forwarders

The freight forwarders interviewed identified several major common concerns and needs.

Simplification of document requirements. They commented that everything goes smoothly if all documents are in order. One offered an example of a major client that provides documents two weeks prior to the arrival of the goods and that it takes only one day for transit and one day to clear the goods. However, even if all documents are in order, sometimes facilitation payments are requested to release goods promptly. If all documents are not in order, some officers will request payment to overlook the “discrepancy.” There is electronic transmission capability in theory, but in practice, it is often more efficient to take the declaration to Customs for input.

More consistency and predictability in the application of regulations and requirements. They noted the lack of predictability and standardization. One day a shipment is cleared with no problems and everything goes well. The next day additional documents are required for the same goods. New procedures are put into place without prior notification and there is no effective way to receive advance notification of requirements. It was felt that an electronic customs release process should eliminate much of the human factor and help to standardize document requirements.

Better communications with Customs and advance notice of changes. The trade community is able to hold meetings with Customs and clearance specialists have worked with Customs to identify and implement changes. However, freight forwarders noted that Customs does not always notify them of changes in a timely manner and that a better process is needed.

Freight forwarders noted that low-risk importers are already receiving some benefits, such as the immediate release of goods and transit without the requirement of a Customs guarantee. This was viewed as a positive development.

4.2 Customs Brokers

The broker industry is regulated and active. There are about 100 active brokerage firms and each is required to employ licensed clearance specialists. Brokers commented on several major issues, as summarized below.

Brokers were actively involved in drafting the new Customs Code, starting in 2000. While they believe that the Code is better than the Codes of the other CIS countries, certain aspects of it have not been applied due to “domestic considerations” and certain concepts that have been approved have not been put into practice. For example, Customs officers understand the WTO valuation agreement procedures but do not follow them.

Brokers are extremely concerned about the “gray economy” and about the large quantities of “legally imported” contraband consumer goods that are brought in by the “shuttle” trade. Reportedly, 80% of the shuttle trade is controlled by five or six groups and the remaining 20% is spread among 200,000 individuals, each of whom can import up to \$10,000 daily without paying taxes. This constitutes much of the shadow economy and is a source of unfair competition for the brokers. The brokers felt that Customs is aware of this but does not take steps to control it.

Corruption was a top concern as well. One broker observed that Customs was rated as the fourth most corrupt governmental organization in a recent local study. The average wage of a line officer in Customs is \$400 per month and the estimate is that the average officer takes that much home on a daily basis and that Customs officer positions are “bought” for an average cost of \$5,000. Corruption is often considered so endemic and widespread that any approach to addressing it has to be one of taking the human element out of the decision making process. Release times reported by Customs are false and officers often backdate release stamps; release times are twice as long as what is reported.

Other concerns included: the lack of a single window concept, the use of a reference price list (conditional prices), and customs revenue targets. Many brokers did feel that the technical competence of Customs officers had improved.

Recommendations made by customs brokers interviewed included:

- publishing brochures or other materials listing the required documents for each type of transaction. (Officers can and do arbitrarily require between 7 and 20 documents);
- requiring Customs to comply with the valuation law and advise importers/brokers of the reason and method of determining Customs value when transaction values are not accepted;
- eliminating arbitrary revenue targets and adopting a policy of complete collection of duties and taxes;
- controlling the gray market or shadow economy; and
- establishing an independent body which would have the authority to review Customs officer valuation decisions and to issue binding rulings in advance of importation.

4.3 Trade Associations

One major trade association interviewed (the Forum of Kazakhstan Entrepreneurs) reported that they and other associations hold roundtable meetings with Customs annually and that they have been developing good contacts with Customs and with other government agencies. The government has approached these associations asking for opinions as to how Customs can be administratively reformed. International donors are actively supporting these advocacy efforts.

Trade associations have been conducting trade corridor monitoring studies. This is the first project of its type in the area and involves field research and not just opinions. Neutral observers are placed in trucks and record all activities observed during transit. Such studies have shown that Customs procedures account for only 4% of the time a transit truck is in the border station area. The other 96% of the time is accounted for by processing requirements of other government agencies. The association pointed out that in Kyrgyzstan, customs

procedures account for 32% of processing time. However, document requirements are quite extensive in Kazakhstan and delays are due primarily to problems in producing required documents: 32% of declarations are cleared in 2 days or less, 45% in 3 to 5 days, 18% in 5 to 7 days and 5% in over 7 days.

From their perspective, opportunities for further technical assistance include: streamlining customs procedures; internal reforms of the Customs administration, including addressing the number of staff and number of border crossings; reducing and simplifying document requirements; and identifying and implementing international best practices.

4.4 Importers/Exporters

A representative of one firm with significant international transactions commented that Customs is better now than it was ten years ago but that much improvement was still required. He called Customs a “Virgin Land” because much needed to be done but little had been done so far to address the delays and problems the trade community encounters. From this perspective, the major problems are: technical equipment (lack of automation and inspection equipment), over-complicated procedures, and legislation that lags behind the issues it is supposed to address. Another problem cited was the level of competence of Customs staff and the qualifications for becoming a Customs officer. Overall, the private sector wants to contribute to amending legislation and to the effort to modernize Customs.

4.5 Carriers

One express consignment company interviewed stated that document requirements are cumbersome. The law provides for simplified procedures for courier services but Customs officers do not always follow policies. There is no procedure for consolidation of courier shipments. Although courier and some small cargo shipments can be released on the basis of a local cargo delivery form in lieu of a formal Customs declaration, many of these small shipments require a large number of supporting documents.

In practice, it has been found that the expedited process is not much faster than normal procedures. Normal shipments not requiring any permits take 3 to 4 days from filing until release. If permits are required, it can take from 3 to 10 days. Door-to-door from Kazakhstan to the U.S. is three days. Door-to-door from the U.S. to Kazakhstan is five days for small shipments and two weeks for larger shipments. Courier packages can be processed at the airport but cargo shipments must be cleared at another location. All cargo is examined, although much of it is examined using X-ray scanners.

A road carrier company interviewed indicated that they have no specific problems with Customs when moving goods in and out of Kazakhstan, other than occasional occurrences. In fact, customs issues rarely come up for discussion at company and industry meetings, and delays experienced at the border are not normally due to Customs actions. Nevertheless, these delays and additional payments required to move transit cargo do add to the market costs. This carrier stated that the major internal problems in Kazakhstan are with the Transport Control agency, which will stop and weigh a truck several times during the road trip as an opportunity to extract payments for overweight trucks, even though trucks entered under seal are not

overweight. Scales are adjusted and manipulated. There are payments also to local authorities for various fees such, as ecological concerns.

However, there are major delays and problems en route to and from Kazakhstan and some of its neighboring countries that affect the trade facilitation process and add to cost of goods. Examples of such problems cited included: a Russian Customs requirement that transit goods from China be moved using an escort service, amounting to payments in the area of \$2,500 per truck; problems in Russia with receiving permits for overweight and oversize cargo and delays awaiting such a permit; Turkmenistan's stringent visa controls and limits on visas for truckers; and the Chinese requirement that goods moving to China must be offloaded and reloaded on Chinese trucks to move across China. On the other hand, the carrier reported that a transport agreement had been signed with Kyrgyzstan and that there are no undue problems on that border, and that similar agreements have been signed with Tajikistan and Uzbekistan and will soon become operational.

5. Conclusions

Based on the assessments team's observations and input provided by private sector and business representatives interviewed, it appears that Kazakhstan's Customs Control Committee is developing into a generally efficient customs environment. Kazakhstan Customs has relatively well-evolved processes and procedures with some automation functions in place. It also appears to have additional internal funding to upgrade and maintain generally efficient Customs posts at the major processing sites. The perspective of the trade community was that, while there is still a critical need for transparent procedures and instructions, Customs is much better than it was ten years ago and it is not the major cause of delays at border stations. However, there was still strong evidence that facilitation payments are being received by Customs officers and that, in some cases, goods may be released without official Customs clearance. World Bank interviews have indicated that unofficial payments are required on 80-90% of all declarations. The Bank estimated that unofficial payments amount to 1% of the value of total imports.

Areas where additional improvement is needed include streamlining of procedures, reducing documentation requirements and automating declaration processing, and incorporating techniques such as electronic releases, risk management and post clearance controls. There is also need for assistance in the area of the human resource management to promote an environment of professionalism and integrity. Two additional areas where attention would be productive are training and knowledge transfer regarding intellectual property rights legislation and enforcement, and joint Customs/trade seminars in valuation. It was the position of the Customs Control Committee that they would most benefit from a program of knowledge transfer.

There are several ongoing or planned technical assistance efforts in Kazakhstan that will help to further the modernization effort. Eurocustoms is assisting with the modernization of procedures and the World Bank is coordinating a large automation project.

6. Review of Assistance Provided, Current Needs and Recommendations (Action Plan)

This section reviews technical assistance and support that has been provided in several key customs and trade areas in Kazakhstan. It also identifies and highlights current needs for continued assistance from the international donor community.

Customs Legislation

- USAID's TFI project assisted in the development and adoption of the new Customs Code.
- The EU is assisting in WTO accession and continuing to support modernization of laws and regulations.
- The EAEC is assisting in harmonizing Customs Codes in the region.
- WTO working group experts are researching Kazakhstan Customs legislation and have outlined the changes that will need to be made with WTO accession. IPR and valuation are the current focus.
- Implementing instructions have not been written.

Recommendation: The work on the customs legislation by the USAID TFI project should be continued, with the goal of simplifying the law and publishing clear and concise instructions, including printed brochures or other materials that can be widely distributed to the trade community. This effort would benefit from the participation of the trade community.

Valuation

- Customs claims that transaction value is used for 90.5% of entries. Business people state that only two modes of valuation are used: transaction value and a conditional values list. Business people also report that the technical competence of Customs officers has improved, that they understand the WTO valuation agreement procedures but that they do not follow them due to revenue targets imposed on Customs.
- UNDP hosted a seminar on valuation and WTO accession issues in January 2006.
- USAID's TFI project recommended that additional training in WTO valuation rules and implementation would be useful to both Customs and the trade community.
- Although valuation training and assistance have been provided correct practices have not been put into place.

Recommendation: Both Customs and the trade community require additional training in valuation. This training should include relevant Customs managers as well as line officers and Customs instructors. It should also be open to brokers, certified customs specialists, and importers. The best way to ensure that Customs officers implement the valuation regulations as intended is to also train the traders so that they are aware of the correct procedures and can resist Customs officers' attempts to exercise their discretion in an improper manner. Training is required in valuation, common international business procedures and best practices. Training should be provided by experts who are knowledgeable in customs processes and are experienced group facilitators. It should focus on achieving mutual understandings, accomplishing joint efforts (such as drafting new instructions) and generally be results-oriented.

Integrity and Human Resource Management

- The EU has assisted in developing a Code of Conduct and in providing Arusha Declaration training.
- Eurocustoms is providing technical assistance and support in developing modern human resource management policies and procedures.
- Kazakhstan is the only one of the three countries surveyed that appears to be beginning to attempt to deal with the corruption issue.
- Further technical assistance would be quite useful in helping Kazakhstan Customs develop an effective anti-corruption plan.

Recommendation: USAID could provide technical assistance to Kazakhstan Customs to assist them in conducting an integrity assessment using the WCO methodology and model and in developing and implementing effective anti-corruption mechanisms. This assistance would be consistent with the assistance currently being provided by the European Union.

Simplification of Procedures

- On a regional basis, the EAEC is promoting the simplification of customs procedures and documentation, standardization of electronic forms, transition to uniform administrative records, the use of a unified customs database and control of transit trucks, and a one-stop single electronic window.
- CAREC will be working on “one-stop” and “single electronic window” services for traders and the business community.
- Other than this regional support, no country-specific technical assistance project was identified for Kazakhstan. This is a critical issue that should be addressed.

Recommendation: Focused technical assistance should be provided on simplification of Customs procedures and documentation requirements, including the licensing and certification requirements of other government agencies. This should be accomplished either prior to or as a component of the World Bank automation project as it makes little sense to automate bad procedures. Procedural simplification and automation must go hand in hand. Further communications among the donors on this issue is recommended.

Risk Management

- Customs is interested in learning other countries’ experiences and practices in implementing simplified procedures for low risk economic operators, and indicated that it would be appropriate for trade community participation in seminars.
- CAREC has assisted in identifying a “baseline of compliance” for traders, published a Central Asia Risk Management Guide and sponsored risk management and post-entry audit seminars in China and Tokyo.
- USAID’s TFI project provided a risk management seminar.
- Eurocustoms has provided assistance in developing a cargo risk management system that provides simplified procedures for low-risk importers, assisted in the implementation of selective passenger inspections, and is starting a one year project to develop and implement a risk management strategy, set up central risk information and analysis, and develop valuation, origin, classification, and fraud databases.
- Risk management will also be addressed by the World Bank in its automation project.

Recommendation: No significant additional technical assistance requirements were identified in this area at this time.

Post-Clearance Audit

- Eurocustoms is starting a one year technical assistance project that will develop and implement a post-clearance control strategy, develop a fraud database, develop financial fraud analysis procedures, train senior and middle management in post-clearance control methodology, provide study tours for middle management, and provide a due diligence model to ensure that Customs provides the business community all necessary information.

Recommendation: No significant additional technical assistance requirements were identified in this area at this time.

Information and Communications Technology

- The World Bank is developing a project that will focus on risk management and automation. The IT element has not been fully defined but may either upgrade or replace the current system. The Government has agreed to proceed with the project. It is in the developmental stage now and should begin to be implemented in January.
- CAREC sponsored regional e-government and automation forums in Seoul in December 2005 and Singapore in January 2006.

Recommendation: No significant additional technical assistance requirements were identified in this area at this time.

Intellectual Property Rights

- Kazakhstan was recently removed from the US IPR watch list and would like to learn about technologies and procedures used by the US.
- No technical assistance is currently being provided.

Recommendation: There is an opportunity for limited, short-term technical assistance.

Training Development

- Eurocustoms is assisting with development of the training system and training center management, design of basic and advanced course modules on priority customs topics to deliver training material, and to training Customs officers in groups of 20. They will also provide train-the-trainer training and a study tour to an EU customs training center and are supporting the development of a Customs training center and assisting in detector dog training.
- China has or will sponsor two training programs in Shanghai Customs Academy in May and September 2006 for Kazakhstan customs officials.

Recommendation: No significant additional technical assistance requirements were identified in this area at this time.

Border Management and Infrastructure

- The EAEC is working to harmonize Customs procedures to improve checkpoints at external borders of countries participating in the Customs Union, with the future goal of having only Customs and border guards at the border. Other agencies would be moved to inland processing sites. This effort should be supported by all donors.

Recommendation: No significant additional technical assistance requirements were identified in this area at this time.

Customs Brokers and Trade Associations

- Brokers are active and knowledgeable and there is an operational Brokers Association as well as other business and trade associations that are developing into effective advocacy groups.
- The Forum of Kazakhstan Entrepreneurs holds roundtables with Customs annually and has developed good contacts.
- USAID provided assistance in establishing Customs Consultative Councils.

Recommendation: No significant additional technical assistance requirements were identified in this area at this time.

Transit and Transport Procedures

- CAREC and the IRU are pursuing several bilateral initiatives including harmonization of cargo manifests and providing one-stop and single electronic window services. CAREC has worked to facilitate transit between the Kyrgyz Republic and Kazakhstan. CAREC is pursuing joint customs control pilot-testing between Kazakhstan and the Kyrgyz Republic. China co-sponsored a regional forum on TIR accession and regional transit arrangements in Shanghai in October. A TIR training seminar will be conducted by IRU with support from ADB.
- EAEC is promoting a joint interstate program to equip the borders of EEC member countries with facilities for the customs control of heavy transport and containers and a joint interstate program to establish a uniform automated information system for the control of transit transportation by the customs services of EAEC member states.
- The World Bank and CBACAiR have conducted trade corridor monitoring studies. Observers are placed in trucks and record all activities.
- The USAID TFI project studied clearance times and costs and published the findings.

Recommendation: No significant additional technical assistance requirements were identified in this area at this time.

7. TradeStream™ Ratings

The full TradeStream™ assessment tool includes four separate segments: Trade Flows, People Flows, Financial Flows, and Infrastructure. Within each TradeStream™ segment, four key dimensions of the trade and commercial environment are addressed: 1) legal framework; 2) implementing institutions; 3) supporting institutions; and 4) social dynamics.

Through research and interviews, the assessors consider hundreds of indicators across the dimensions and segments. These indicators are analyzed to create country trade facilitation and security ratings. This analysis provides a comprehensive and dynamic view of the interaction of the laws, institutions, supporting institutions and other factors involved in security and facilitating trade. The ratings are presented on summary sheets showing the main categories of each segment and dimension.

Due to the time, budget and scope constraints of the Central Asia assessment activity, the evaluation team focused on the Trade Flows segment of the tool. The primary focus of this segment is the Customs function and key facilitation and capacity issues within this function, including customs administration and operation of clearance procedures, automation, risk assessment, integrity and comparisons against international standards. Within the Trade Flows segment, primary attention was paid to the legal framework, implementing institution (Customs), and supporting institutions (private sector) dimensions and interviews and research focused on these areas. For categories in which insufficient information was available for the assessment team to provide a rating, no rating was entered and the cumulative total reference score possible was adjusted accordingly so that the actual scores and percentages did not reflect data that was not present.

7.1 Summary of TradeStream™ indicators

TradeStream™
Indicators for Trade Flows Segment
KAZAKHSTAN

	DIMENSION	REF	SCORE	%
A.1	LEGAL FRAMEWORK	1055	771	73%
A.2	IMPLEMENTING INSTITUTION	1445	817	57%
A.3	SUPPORTING INSTITUTIONS	215	182	85%
A.4	SOCIAL DYNAMICS	300	180	60%
	COMBINED SCORE	3015	1950	65%

7.2 Summary of legal framework indicators

A.1	LEGAL FRAMEWORK	REF	SCORE	%
Customs Agency: Organization		165	116	70%
Personnel: Recruitment, Training and Retention		60	40	67%
Management		25	22	88%
Integrity		80	54	68%
Customs: Operations		560	413	74%
Laws and Regulations regarding General Import-Export Activities		170	154	91%
Laws and Regulations regarding Import Activities		45	33	73%
Laws and Regulations regarding Export Activities		10	6	60%
Laws and Regulations regarding Transit Activities		25	19	76%
Automation		10	9	90%
Customs Brokers		30	24	80%
Trade Data		10	9	90%
General Enforcement Procedures		95	57	60%
Valuation, Classification and Country of Origin		15	15	100%
Risk Assessment/Selectivity		5	5	100%
Special Enforcement Activities		10	10	100%
Investigation		50	19	38%
Intelligence		15	9	60%
Audit		10	10	100%
Cargo Security		60	34	57%
Restricted Goods		255	195	76%
Strategic Goods		80	73	90%
Laws and Regulations regarding Intellectual Property Rights (IPR)		115	74	64%
Food-Related Goods		60	48	80%
Laws and Regulations regarding Services		0	0	NA
Enforcement of Laws		75	47	63%
TOTAL FOR LEGAL FRAMEWORK		1055	771	73%

7.3 Summary of implementing institution indicators

A.2	IMPLEMENTING INSTITUTION	REF	SCORE	%
Customs: Organization		335	210	63%
Personnel: Recruitment, Training and Retention		105	76	72%
Management		145	90	62%
Integrity		85	44	52%
Customs: Operations		865	451	52%
<i>General Import-Export Procedures</i>		<i>505</i>	<i>295</i>	<i>58%</i>
Clearance Procedures General		140	78	56%
Clearance Procedures: Import		130	67	52%
Clearance Procedures: Export		60	37	62%
Clearance Procedures: Transit		25	15	60%
Automation		90	55	61%
Broker Regulation		40	33	83%
Trade Data		20	10	50%
<i>General Enforcement Procedures</i>		<i>360</i>	<i>156</i>	<i>43%</i>
Valuation, Classification and Country of Origin		70	41	59%
Risk Assessment/Selectivity		85	15	18%
Special Enforcement Activities		0	0	NA
Inspectors		80	39	49%
Investigation		0	0	NA
Intelligence		0	0	NA
Audit		45	10	22%
Cargo Security		80	51	64%
Restricted Goods		145	99	68%
Strategic Goods		70	62	89%
Intellectual Property Rights (IPR)		30	12	40%
Quotas		45	25	56%
Cooperation with Public Sector		35	25	71%
Cooperation with Private Sector		65	32	49%
Services		0	0	NA
TOTAL FOR IMPLEMENTING INSTITUTION		1445	817	57%

7.4 Summary of supporting institution indicators

A.3	SUPPORTING INSTITUTIONS	REF	SCORE	%
Supporting Public Institutions		0	0	NA
Border Patrol		0	0	NA
Trade Policy Agency		0	0	NA
Food Safety and Security Agency		0	0	NA
Export Control Agency		0	0	NA
Intelligence Services		0	0	NA
IPR Agency		0	0	NA
Supporting Private Institutions		215	182	85%
Exporters and Importers		100	82	82%
Brokers/ Agents and Forwarders		115	100	87%
Insurance Providers		0	0	NA
In-Bond Warehouses and Warehouse Services		0	0	NA
Free Zone Operations		0	0	NA
TOTAL FOR SUPPORTING INSTITUTIONS		215	182	85%

7.5 Summary of social dynamics indicators

A.4	SOCIAL DYNAMICS	REF	SCORE	%
Demand for Improvement		95	63	66%
Government		0	0	NA
Private Sector and Business Associations		65	39	60%
Civil Society, Media, and Other		0	0	NA
Other Groups		30	24	80%
Supply for Improvement		165	91	55%
Government		90	47	52%
Private Sector and Business Associations		75	44	59%
Civil Society, Media, and Other		0	0	NA
Interorganizational Dynamics		40	26	65%
TOTAL FOR SOCIAL DYNAMICS		300	180	60%

Country Assessment Report - Kyrgyzstan

1. Background

Kyrgyzstan was the first country in Central Asia, and also within the CIS, to become a member of the WTO. In this respect, it was the first of the three countries covered in this assessment to embrace economic liberalization. The country has a strong agricultural base that contributes one third of its economic output and there is the potential to develop natural resources and tourism. Kyrgyzstan also has light industry, such as textiles, but here it faces major competition from Chinese products. There is also a developed dairy production industry. Progress is being made in the area of trade facilitation, with Customs and the trade community engaged in consultation through the Consultative Councils. There are approximately 1,300 Customs officers working for the State Customs Inspectorate.

2. Legal Framework

The Customs Code is generally in compliance with WTO requirements, international standards and Revised Kyoto Convention guidelines. Representatives of the trade community indicated that they had worked with Customs on drafting the new law, that Customs was very cooperative and that several of their recommendations were incorporated. There is legal authority for full automation, electronic documents, risk based selective releases, and post-clearance audit reviews. The laws are in conformity with Freedom of Transit guidelines and the International Transport of Goods under the cover of TIR Carnets. Legal authority is also provided to resolve all customs-related appeals at the lowest level possible, but court action is also available to all parties if issues cannot be resolved through customs appeal procedures. There is no specific provision for express consignment goods but this is currently being addressed. The valuation law is in compliance with the WTO Valuation Agreement but it is not always correctly applied. As in Kazakhstan, the trade community strongly agreed that there was need for the publication of clear instructions for any additional documentary requirements for specific goods and a list of minimum documents for release of goods.

3. Implementing Institution - State Customs Inspectorate

3.1 Customs Headquarters

Deputy Director Mr. Kulban Kulmatov discussed technical assistance provided by USAID, the ADB, DOS/EXBS, and EURASEC. He stated that the assistance provided by USAID was very successful and that he would like to see the program extended to continue the work on modernizing legislation and improving procedures. Mr. Kulmatov related several issues that Customs has worked to resolve with the Customs Consultative Council and he expressed the need to continue to support the Council, to make this mechanism more flexible and responsive, and to increase participation by other government departments. He stated that the functions of other government agencies with trade-related roles should be linked more effectively than they now are and discussed ongoing problems with the Ministry of Industry, which has drafted legislation on certification that, if implemented, will cause serious delays in processing cargo at the borders. Customs and the Council are working together to try to prevent this from happening. Customs could previously release trucks or goods lacking certificates based on the

filing of a guarantee by the importer. Proposed new procedures would stop that practice and would require the truck to be held until the certificate can be obtained and delivered. Mr. Kulmatov mentioned the concern on the part of Customs and the Prime Minister that recent World Bank studies showed that getting goods to market in Kyrgyzstan took 98 days. He wanted to note his belief that the study covers not only Customs processing but the total process of contracting, financing and transporting goods to the country and then clearing them for domestic use.

Another topic of top concern is customs automation. Customs has become frustrated at the delays with the new ADB project that is to assist with automation issues and also mentioned their concerns about the possible use of a foreign firm to develop the program software. Customs is now working with a local company to develop its own automated system. The proposed system would be server/PC based with leased communications links to Customs offices and broker access via the Internet. A prototype "customs receipt" pilot has been successfully tested and work on a digital declaration form is now underway. The local system will include imports, exports, transit, statistics, post-clearance audit, risk management, contraband and intelligence. Customs anticipates rolling out a two pilot site test in the fall of 2006.

3.2 Ak-Jol Border Station

Ak-Jol is a small border station on the border with Kazakhstan approximately 30 kilometers from Bishkek. Border Police operate in the middle of the road under a canvas umbrella. Customs operates from two small buildings: one is located between the inbound and outbound lanes and sits under a metal canopy and the other is an administration building located on the outbound side. Trucks are held in a small parking lot until there are a sufficient number to be convoyed to the Bajyi terminal in Bishkek. Eight officers work each 24 hour shift and then have three days off. Inspections of passenger vehicles were conducted on a selective basis. There was no traffic backup in either direction. There are plans to upgrade this station and there has been a pilot project with Kazakhstan to place Customs officers from both countries at one jointly managed site. The pilot appeared to be a success and the results are being reviewed.

3.3 Bishkek Bajyi Customs Truck Terminal

Bajyi terminal is an enclosed truck terminal that receives from 8 to 12 trucks per day. Customs has a very utilitarian office in a building shared with a customs brokerage firm. There were three certified Customs specialists present who prepared both SAD declarations and "customs receipts" which are simplified declarations for personal importations. Bajyi terminal has no facilities for unloading trucks or examining cargo. Examinations can only be conducted by backing two trucks together and moving goods from the loaded truck to the smaller empty truck used to transfer goods to the importer. Declarations are prepared on typewriters and handwritten logs are the norm. The Customs inspectors assigned to this terminal discussed both hiring and training practices and advised that there is a great deal of competition for Customs inspector positions. Degrees are required in law or economics, which are the preferred specialties. Customs controls its own hiring and Customs inspectors have a status similar to military officers, rather than civil servants.

4.1 Supporting Institutions – Public Sector

Ministry of Industry, Trade and Tourism

Dr. Anarkan Rahmanova, Head of the Department of WTO, Customs-tariff and Non-tariff Regulations, has been working with USAID since the mid 1990s and has received a great deal of technical assistance to address Kyrgyzstan's WTO accession, as well as compliance issues. The Kyrgyz Republic has been a member of the WTO for eight years. USAID was instrumental in assisting the office in drafting Memorandums for Accession, providing funding for travel to Geneva and technical assistance for drafting new legislation and implementing instructions. The Department has provided many seminars both to business and to government agencies about WTO commitments and still requires assistance to further that training process. There is need for guidance and work on the issue of government procurements and the trade facilitation commitments under discussion as part of the Doha round. TACIS and ADB have provided assistance to this office in the form of seminars and some equipment.

The Kyrgyz Republic is the only WTO member in the region; therefore the Department believes it is in a position to act as an information clearinghouse and to provide guidance to other countries in the region working on accession. The Department has the expertise but not the resources to provide regional seminars or to publish informational material for other countries in Central Asia. This is an area that could be considered for some assistance.

As to difficulties experienced by traders clearing goods either for export or import, there are problems in the transport sector and Customs is in need of modernization. The Chinese do not allow Kyrgyz trucks to carry goods into China so Kyrgyz trucks return empty from the border, adding to the cost of goods. Chinese trucks are allowed to enter Kyrgyzstan, however.

4.2 Supporting Institutions – Private Sector

4.2.1 Freight Forwarders

The freight forwarding companies interviewed did not express major problems with Customs. They did note that, from their perspective, the new Customs Code has not led to any improvements in the efficiency of the customs clearance process as the same procedures are basically still in place, except that Customs now has several sites in the area where goods can be cleared.

The firms have found that if all of the necessary documents are prepared, the clearance process can take as little as one day, sometimes three days but generally the importer is told to expect up to five days. The firms stated that the process, although cumbersome and bureaucratic, runs smoothly if they have all the documents prior to shipment. They also tend to observe all of the documentary requirements mandated by Customs, even if they realize some documents are superfluous and not needed for the specific shipment.

The forwarders use trucks and air transport but rarely rail as that mode requires even more paperwork. They noted that all declarations are in Russian, that there is some ongoing work to automate the declaration process and provide it to Customs electronically, and that cargo

security seems adequate for the area as any theft or pilferage that they have experienced occurred outside the area at transfer hubs.

The main recommendations from the freight forwarders are to raise Customs salaries, to provide social benefits such as medical insurance to Customs officers, to upgrade their general living standards and to provide managers and working level personnel training to enhance their professional skills.

4.2.2 Customs Brokers and Brokers Association

The broker industry is regulated and active. There are 29 active brokerage firms and each is required to employ licensed clearance specialists. The Brokers Association is one year old and has 13 active members, with others participating when they have specific concerns or problems. Brokers had been reluctant to speak up individually and many hope that the Brokers Association will be able to promote the interests of the brokerage community at large, allowing a common voice to be heard and listened to.

The Brokers Association is an active and permanent member of the Customs Consultative Council. (See section 4.3 below). Some members of the association felt that Customs only thinks it has to consult and discuss on issues and does not feel any pressure or obligation to actually come to decisions on issues raised.

Many brokers expected that when the new Customs Code was passed a year and a half ago, customs procedures would improve. In their opinion, procedures have actually become worse in some ways. Local procedures are in place that are contrary to the new Code. The Code itself is good, but it has not been properly implemented and there are no clear instructions or well developed procedures, leaving it open to interpretation. The following examples were cited:

- Customs previously had 30 minutes to process a truck at the border; now they have to do it in a “reasonable” amount of time. Customs now holds trucks until they have a sufficient number for a convoy;
- according to the new Code, cargo should be delivered to a licensed customs warehouse. Only one license has been issued and that company holds a virtual monopoly;
- procedures for moving trucks from the border to inland locations have not been specified;
- there are no clearly stated instructions regarding the order of processing;
- previous instructions that were four pages long were replaced by 90 pages of vague instructions;
- document requirements are not broken down by regimes. Customs officers can require up to 15 supporting documents and use this threat for obtaining facilitation payments.

The brokers cited an information vacuum and that the Customs website includes minimal procedural information; brokers often search the Russian and Kazakh Customs websites instead. Customs officers will not assist importers or provide information and they will not agree to a defined procedure for receiving questions or providing answers.

The lack of training, education and writing skills of Customs officers was also cited a big problem, and a probable factor in the lack of adequate instructions or Custom's failure to respond to written requests for information or decisions.

Corruption was cited as a problem, from two perspectives: 1) money that is paid to Customs officials not going to Government accounts, and 2) the increase in the cost of doing business, with procedures appearing to be unnecessary for the product imported and imposed only to extract payment. There were suggestions that Customs' staff should be cut in half and that the money saved should be used to increase the pay of the better officers who are retained. These officers should be protected from illegal or intimidating controls by higher oversight agencies. It would also help if there was less contact between traders and the control agency officers at the time of declaration filing. Changes can only happen if Customs managers are selected from business.

Other common comments included that:

- Customs is required to have instructions countersigned by the Ministry of Finance, and Customs has in the past stated that they sent draft instructions or changes to the Ministry but that the drafts have not been signed. Since revenue collection is the highest priority, there is little interest in simplifying procedures to promote trade;
- there is little coordination among the border control agencies and traders lose time and money going from one agency to another to file documents and receive permits;
- the government publishes statistical information some two years after the year ends. It is believed that the total number of annual import declarations filed by companies was around 60,000, or at least it was in the last published document for the year 2003; and
- it would be a great assistance if a future donor project could help draft customs regulations and procedural instructions.

While the new Customs Code made licensing of brokers transparent, brokers are still not allowed to guarantee payment and their rights are not clear. They desire more specific regulations to clarify their role.

4.2.3 Trade Associations

Association of Enterprises of Light Industry (LEGPROM). LEGPROM was started in 2001 and has organized and represents light industry, primarily in the area of garment production. Previously, 70% of this industry operated in the "shadow economy". LEGPROM was instrumental, with USAID TFI Project support, in lobbying the government to pass a law to improve the business environment for light industry. This included placing severe restrictions on tax inspectors who harassed small businesses. Inspectors can now only visit a light industry company once a year and LEGPROM is entitled to be there to represent the company. Road police are still a big problem in terms of transportation costs as transporters have to pay different road police for different services.

4.2.4 Importers/Exporters

Several firms were interviewed about their experience working with Customs and other trade-related government agencies. These experiences varied according to the level of importing and exporting the firm conducted. One large firm, which imported and exported on a daily basis, had Customs officers stationed onsite at their facilities and was well used to the clearance processes involved. Other firms still found the processes cumbersome and time-consuming. All recognized that problems and delays added to the cost of getting goods to market and could make their products less competitive. There was also a shared view that it was better to simply accept “business as usual” than to attempt to fight with Customs or other agencies to make changes. Some common concerns were raised on several other issues, as noted below.

Customs Code. While a new Customs Code may be in place and may comply with international standards, the implementation of the law is lacking and the actual clearance procedures have not changed.

Corruption. The salary of Customs and related trade agency personnel is extremely low (approximately \$35 per month) and it is in the employees’ interest to identify problems in order to extract facilitation payments from traders. Such payments are the norm. The wage issue needs to be addressed to attract personnel with integrity and a higher caliber of professionalism who would be rated on their performance. The government needs to pay a realistic salary to management personnel who would lead the agency out of the current corrupt practices. “Unofficial facilitation arrangements” are negotiated at the Customs headquarters and every time a new Customs administration comes into power, arrangements have to be renegotiated. Everything is negotiated in advance and they then get a green light for their operations.

Customs personnel. It was stated that Customs officers have too much discretionary authority, which is mostly exercised for rent seeking purposes and not because they are promoting a legitimate government concern for health, safety or revenue protection. This was also reflected in the fact that the attitude of Customs officials is often critical and not customer service oriented. Many Customs officers are either ignorant of the regulations, do not have much interest in identifying the applicable regulation for the specific regime and just do the work by rote. A retaliatory attitude prevails and mentioning problems to Customs during formal discussions only results in more serious problems.

Other agencies. Customs is not the worst agency; all governmental agencies exhibit similar levels of corruption. Another heavily criticized agency is the Kyrgyz Standards agency for its obsolete testing equipment, and the agencies that administer quotas and licensing for their practice of negotiating individual exemptions based on unofficial payments.

Suggestions. Major needs were identified as increased automation of the processes of Customs and related agencies, reduced face-to-face interactions with officials, and wage reform to help address the corruption and facilitation payment issues.

4.2.5 Carriers

One firm, a member of the Customs Brokers Association and the Association of Express Carriers, observed that the new Customs Code does not have any provisions for consignment shipments and that couriers are considered to be covered by the provisions for international mail. Prior to the inception of the new Code, there were regulations governing express consignment shipments, but once the Code came into force, those regulations were superseded. Customs understands the need to move goods quickly and accommodate them; however, there are still cumbersome procedures and complexities in place. Couriers must take their place in line with other general cargo importers to perform a five-step clearance process and must go to five separate places within Customs to file declarations, pay, file statistical documents and take care of various other formalities.

On personnel issues, they noted that: corruption is an issue; there is a lack of training and professional expertise among Customs officers and officials and a lack of accountability for their actions; and that the interest of Customs officials seems to be self serving and not in the interest of the economy or economic growth. On operational issues, they noted that: Customs seems to select goods for inspection based on some random selection rather than review of information and targeting high-risk packages; complaints that could easily be resolved in days take months to address; and there is a lack of automation throughout Customs.

4.3 Customs Consultative Council

The Council, formed in 2004 with the assistance of the USAID TFI project, serves as a bridge between Customs and the business sector. The Council employs a salaried executive director and it meets monthly and has 15 companies as active members. Other companies participate on an as-needed basis to address and resolve their concerns. The government and Customs both rely on the Council to coordinate proposed changes. The Council has participated in the development of the Customs Code, the licensing code, and a new certification law. It also participated in developing new rules for the VAT-free entry of capital equipment in order to encourage production. The Council's private sector members are now working with Customs in a roundtable to update the new Customs law where deficiencies have been found to exist. One such area is the lack of express courier provisions. The Council also works with the standards agency, licensing agencies and other agencies involved in promoting or regulating imports and exports. The Council is concerned about protecting the rights and obligations of businessmen and has also represented them in resolving disputes. The government is represented on the Council by Customs and one Member of Parliament. Other government agencies attend if needed to discuss specific issues. The Council sees a need for publishing procedural instructions and brochures for business.

The Council appears to be a fairly effective forum for joint government and private sector efforts to highlight and address customs modernization issues and one which has support from both sides. It is the first example of this type of government/private sector forum in Kyrgyzstan and many people commented that similar councils should be formed with other government agencies, such as the Kyrgyz standards agency, which is also the source of many time-consuming problems for the trade community.

5. Conclusions

Kyrgyzstan Customs is in a relatively low state of development, with no overall electronic processing and only a few stand-alone modules used for storing and accessing limited information. Review and discussions with private sector parties revealed that Kyrgyzstan's Customs Code is compliant with international standards. However, the perspective of the trade community is that the adoption of the new Code has not led to an increase in efficiency in the customs clearance process. Instead, the new Code has caused confusion, and clear instructions on Customs procedures are lacking. There was still strong evidence that facilitation payments were being received by Customs officers and that there was contraband on the market, where imported goods may be released without official Customs clearance.

Customs is still paper-based and declarations are prepared on typewriters. The current manual compilation of statistics and forwarding of information to the main office is lagging behind and does not always produce accurate information. There is an ongoing effort to automate declaration processing and to develop a local electronic declaration capability. This effort is in progress and will be piloted in the fall of 2006. There is a significant ADB automation project set to get underway, but Customs is of the opinion that some electronic processing is needed sooner than this new project can deliver.

The Customs Consultative Council, a legacy of the USAID TFI Project, appears to be an effective forum for joint government and private sector efforts to highlight and address customs modernization issues and one which has support from both sides. The Customs Brokers Association is also working to become a dynamic and effective business advocacy organization.

To support the new Customs Code effectively, there is a telling need to develop the accompanying implementing regulations and procedures and to prepare and disseminate clear instructions to the trade community. There is also need for additional upgrading of facilities and inspectional equipment and modernization of procedures. Additional attention is needed in the area of building a professional workforce, increasing salaries to a wage capable of attracting high caliber personnel who would not request or accept unofficial facilitation payments, in the training area, and in the area of electronic declaration processing, incorporating Customs techniques such as risk assessment and post clearance controls. Support to Customs in the drafting of any needed additional Customs Code legislation would also be useful.

Eurocustoms is assisting on the procedural modernization effort and the Asian Development Bank is working on a large overall automation project. USAID's TFI Project was scheduled to close down in the summer of 2006.

6. Review of Assistance Provided, Current Needs and Recommendations (Action Plan)

This section reviews technical assistance and support that has been provided in several key customs and trade areas in Kyrgyzstan. It also identifies and highlights current needs for continued assistance from the international donor community.

Customs Legislation

- USAID's TFI Project assisted in developing a new Customs Code that is considered to be Kyoto and WTO compliant.
- The EU is assisting in improving the customs legal framework.
- The EAEC is assisting in harmonizing Customs Codes in the region.
- Implementing instructions have not been written.
- Additional technical assistance is needed to help develop and disseminate simplified implementing instructions. This would be complementary to the new World Bank project that is working to assist with the implementation of the law on technical regulations that was drafted with assistance from the USAID EDP Project. This would be complementary to the new World Bank project that is working to assist with the implementation of the law on technical regulations that was drafted with assistance from the USAID EDP Project.

Recommendation: The work on the customs legislation by the USAID TFI project should be continued, with the goal of simplifying the law and publishing clear and concise instructions, including printed brochures or other materials that can be widely distributed to the trade community. This effort would benefit from the participation of the trade community.

Valuation

- The Kyrgyz Republic is the only Central Asian member of the WTO.
- USAID has sponsored valuation training.
- The ADB-sponsored Uniform Automated Information System specifications include a WTO valuation database. Development will begin in 2007.
- Businesses did not indicate that customs valuation procedures are a problem but short-term technical assistance and training on valuation for Customs and the trade community would be beneficial.

Recommendation: This training should include relevant Customs managers as well as line officers and Customs instructors. It should also be open to brokers, certified customs specialists, and importers. The best way to ensure that Customs officers implement the valuation regulations as intended is to also train the traders so that they are aware of the correct procedures and can resist Customs officers' attempts to exercise their discretion in an improper manner. Training is required in valuation, common international business procedures and best practices. Training should be provided by experts who are knowledgeable in customs processes and are experienced group facilitators. It should focus on achieving mutual understandings, accomplishing joint efforts (such as drafting new instructions) and generally be results-oriented.

Integrity and Human Resource Management

- The fact that Customs officers cannot reasonably be relied upon to perform their duties in a conscientious and professional manner negates or minimizes the impact of ongoing assistance in all other areas.
- The five year ADB project due to begin in 2007 will conduct a periodic survey of business perceptions of corruption and quality of Customs' services.
- Additional technical assistance would be warranted if the government and Customs can be convinced to accept the need for such assistance and demonstrate the political will for integrity reform.

Recommendation: USAID and other donors should come together to insist on an integrity evaluation and action plan to address corruption within Customs. This assessment should address in depth the economic impact of Customs corruption on government revenues. Such an assessment would likely need to be made a conditionality of any future technical assistance.

Simplification of Procedures

- On a regional basis, the EAEC is promoting the simplification of customs procedures and documentation, standardization of electronic forms, transition to uniform administrative records, the use of a unified customs database and control of transit trucks, and a one-stop single electronic window.
- The five year ADB project due to begin in 2007 will include a component to review and ensure that customs practices and procedures are in line with the Revised Customs Code, Revised Kyoto Convention, and customs-related WTO agreements; and that automation and procedural changes reinforce each other. Border-post procedures will be streamlined in consultation with the other border agencies and private sector stakeholders. Import and truck clearance times will be monitored at pilot border posts.
- CAREC will be working on "one-stop" and "single electronic window" services for traders and the business community.
- The ITC recently completed a study, "Review of the Arrangements for the Implementation of the Law on Technical Regulations in Kyrgyzstan" (February 2006). The World Bank will soon initiate a \$5 million project to work with the various ministries based on the findings of this review.

Recommendation: No significant additional technical assistance requirements were identified in this area at this time.

Risk Management

- CAREC has assisted in identifying a "baseline of compliance" for traders, published a Central Asia Risk Management Guide and sponsored risk management and post-entry audit seminars in China and Tokyo.
- Eurocustoms is starting a one year project to develop and implement a risk management strategy, set up central risk information and analysis, develop valuation, origin, classification, and fraud databases, and train senior and middle management.
- The ADB-sponsored Uniform Automated Information System specifications include risk management and intelligence. Development will begin in 2007. The project will introduce risk management practices at ten major border posts by the end of project implementation.

Recommendation: No significant additional technical assistance requirements were identified in this area at this time.

Post-Clearance Audit

- Eurocustoms is starting a one year technical assistance project that will develop and implement a post-clearance control strategy, develop a fraud database, develop financial fraud analysis procedures, train senior and middle management in post-clearance control methodology, provide study tours for middle management, and provide a due diligence model to ensure that Customs provides the business community all necessary information.
- The ADB customs modernization project due to start in 2007 will include a post-clearance control module.

Recommendation: No significant additional technical assistance requirements were identified in this area at this time.

Information and Communications Technology

- The ADB project, expected to start in 2007 will develop a Unified Automated Information System (UAIS) that will include communications infrastructure, hardware procurement, and software development for core application processes. Specifications include the following modules: import and export processing; passenger entry; cargo and baggage tracking; valuation; trade compliance and post-entry audit; risk management and intelligence; human resources management; and statistical, legal management, financial management, and general services management modules.
- Customs has expressed frustration at the delays in the ADB project and is currently working with a local firm to develop an automated declaration processing system and expect to initiate pilot testing at two locations in the fall of 2006.
- CAREC sponsored regional e-government and automation forums in Seoul in December 2005 and Singapore in January 2006. CAREC has also sponsored an automation study.
- The World Bank provided a grant to purchase computers and servers at the Customs headquarters during 2000–2002.

Recommendation: No significant additional technical assistance requirements were identified in this area at this time.

Intellectual Property Rights

- The USAID TFI project recommended regional IPR training.
- Counterfeited trademark merchandise was observed as being widely available in stores and markets.

Recommendation: There is an opportunity for limited, short-term technical assistance.

Training Development

- Eurocustoms is providing technical assistance to review the existing customs training system and training center management, to design basic and advanced course modules on priority customs topics to deliver training material, and to training Customs officers in groups of 20. They will also provide train-the-trainer training and a study tour to an EU customs training center and are supporting the development of a Customs training center and assisting in detector dog training.
- Russia supports Kyrgyz officers attending their Customs academy.
- The ADB supports study tours for midlevel managers.

Recommendation: No significant additional technical assistance requirements were identified in this area at this time.

Border Management and Infrastructure

- The EAEC is working to harmonize Customs procedures to improve checkpoints at external borders of countries participating in the Customs Union, with the future goal of having only Customs and border guards at the border. Other agencies would be moved to inland processing sites. This effort should be supported by all donors.
- The EU/UNDP BOMCA program is providing technical assistance to strengthen the capacity of border guards. Areas of assistance include policy advice, information sharing among the countries joining the program, and limited civil work. BOMCA is now transitioning to provide support to further trade facilitation in the movement of legal goods and people
- The EU/UNDP CADAP program has provided assistance to provide drug control equipment and training, legal assistance, and help with the set-up of intelligence and monitoring systems for the prevention of drug trafficking.
- The EU Transport Corridor Europe-Caucasus-Asia Program provides equipment for selected border posts, such as search and scanning equipment, and scales.
- USDOS EXBS provides training for Customs officers and border guards and equipment for anti-smuggling, control of weapons, and radioactive substances.
- The ADB project includes infrastructure development both for the rehabilitation of border facilities and the procurement of operations and anti-smuggling equipment, as well as capacity building to promote border interagency cooperation. The five year project will rehabilitate or construct about ten border posts. These posts will receive operations and anti-smuggling equipment.

Recommendation: No significant additional technical assistance requirements were identified in this area at this time.

Customs Brokers and Trade Associations

- The Brokers Association is an active member of the Customs Consultative Council, which was developed with the assistance of the USAID TFI project and has proved to be an effective mechanism for private sector collaboration with the government.
- The concept could also be extended to other areas where the government has a significant regulatory role.

- Seminars could also be provided to promote the importance of brokers to both government and business. Topics could include: elimination of unlicensed brokers; international standards and best practices; and best practices for setting up bonded warehouses.

Recommendation: Assistance or support to the Council should be continued.

Transit and Transport Procedures

- CAREC and the IRU are pursuing several bilateral initiatives including harmonization of cargo manifests and providing one-stop and single electronic window services. The ADB and IRU are jointly supporting the development of a SafeTIR System for Kyrgyz Republic. CAREC is pursuing joint customs control pilot-testing between Kazakhstan and Kyrgyz Republic. CAREC is also working to facilitate transit between the Kyrgyz Republic and Tajikistan, and the Kyrgyz Republic and Kazakhstan. China co-sponsored a regional forum on TIR accession and regional transit arrangements in Shanghai last October.
- EAEC is promoting a joint interstate program to equip the borders of EEC member countries with facilities for the customs control of heavy transport and containers and a joint interstate program to establish a uniform automated information system for the control of transit transportation by the customs services of EAEC member states.
- The USAID TFI project studied clearance times and costs.

Recommendation: No significant additional technical assistance requirements were identified in this area at this time.

7. TradeStream™ Ratings

The full TradeStream™ assessment tool includes four separate segments: Trade Flows, People Flows, Financial Flows, and Infrastructure. Within each TradeStream™ segment, four key dimensions of the trade and commercial environment are addressed: 1) legal framework; 2) implementing institutions; 3) supporting institutions; and 4) social dynamics.

Through research and interviews, the assessors consider hundreds of indicators across the dimensions and segments. These indicators are analyzed to create country trade facilitation and security ratings. This analysis provides a comprehensive and dynamic view of the interaction of the laws, institutions, supporting institutions and other factors involved in security and facilitating trade. The ratings are presented on summary sheets showing the main categories of each segment and dimension.

Due to the time, budget and scope constraints of the Central Asia assessment activity, the evaluation team focused on the Trade Flows segment of the tool. The primary focus of this segment is the Customs function and key facilitation and capacity issues within this function, including customs administration and operation of clearance procedures, automation, risk assessment, integrity and comparisons against international standards. Within the Trade Flows segment, primary attention was paid to the legal framework, implementing institution (Customs), and supporting institutions (private sector) dimensions and interviews and research focused on these areas. For categories in which insufficient information was available for the assessment team to provide a rating, no rating was entered and the cumulative total reference score possible was adjusted accordingly so that the actual scores and percentages did not reflect data that was not present.

7.1 Summary of TradeStream™ indicators

TradeStream™
Indicators for Trade Flows Segment
KYRGYZSTAN

	DIMENSION	REF	SCORE	%
A.1	LEGAL FRAMEWORK	1055	799	76%
A.2	IMPLEMENTING INSTITUTION	1175	530	45%
A.3	SUPPORTING INSTITUTIONS	115	83	72%
A.4	SOCIAL DYNAMICS	260	76	29%
	COMBINED SCORE	2605	1488	57%

7.2 Summary of legal framework indicators

A.1	LEGAL FRAMEWORK	REF	SCORE	%
Customs Agency: Organization		165	105	64%
Personnel: Recruitment, Training and Retention		60	36	60%
Management		25	19	76%
Integrity		80	50	63%
Customs: Operations		560	465	83%
Laws and Regulations regarding General Import-Export Activities		170	164	96%
Laws and Regulations regarding Import Activities		45	35	78%
Laws and Regulations regarding Export Activities		10	6	60%
Laws and Regulations regarding Transit Activities		25	21	84%
Automation		10	9	90%
Customs Brokers		30	23	77%
Trade Data		10	9	90%
General Enforcement Procedures		95	62	65%
Valuation, Classification and Country of Origin		15	15	100%
Risk Assessment/Selectivity		5	5	100%
Special Enforcement Activities		10	10	100%
Investigation		50	36	72%
Intelligence		15	15	100%
Audit		10	10	100%
Cargo Security		60	45	75%
Restricted Goods		255	187	73%
Strategic Goods		80	68	85%
Laws and Regulations regarding Intellectual Property Rights (IPR)		115	75	65%
Food-Related Goods		60	44	73%
Laws and Regulations regarding Services		0	0	NA
Enforcement of Laws		75	42	56%
TOTAL FOR LEGAL FRAMEWORK		1055	799	76%

7.3 Summary of implementing institution indicators

A.2	IMPLEMENTING INSTITUTION	REF	SCORE	%
Customs: Organization		335	173	52%
Personnel: Recruitment, Training and Retention		105	62	59%
Management		145	74	51%
Integrity		85	37	44%
Customs: Operations		740	314	42%
<i>General Import-Export Procedures</i>		<i>505</i>	<i>239</i>	<i>47%</i>
Clearance Procedures General		140	82	59%
Clearance Procedures: Import		130	62	48%
Clearance Procedures: Export		60	29	48%
Clearance Procedures: Transit		25	11	44%
Automation		90	20	22%
Broker Regulation		40	29	73%
Trade Data		20	6	30%
<i>General Enforcement Procedures</i>		<i>235</i>	<i>75</i>	<i>32%</i>
Valuation, Classification and Country of Origin		70	33	47%
Risk Assessment/Selectivity		85	17	20%
Special Enforcement Activities		0	0	NA
Inspectors		80	25	31%
Investigation		0	0	NA
Intelligence		0	0	NA
Audit		0	0	NA
Cargo Security		0	0	NA
Restricted Goods		0	0	NA
Strategic Goods		0	0	NA
Intellectual Property Rights (IPR)		0	0	NA
Quotas		0	0	NA
Cooperation with Public Sector		35	19	54%
Cooperation with Private Sector		65	24	37%
Services		0	0	NA
TOTAL FOR IMPLEMENTING INSTITUTION		1175	530	45%

7.4 Summary of supporting institution indicators

A.3	SUPPORTING INSTITUTIONS	REF	SCORE	%
	Supporting Public Institutions	0	0	NA
	Border Patrol	0	0	NA
	Trade Policy Agency	0	0	NA
	Food Safety and Security Agency	0	0	NA
	Export Control Agency	0	0	NA
	Intelligence Services	0	0	NA
	IPR Agency	0	0	NA
	Supporting Private Institutions	115	83	72%
	Exporters and Importers	0	0	NA
	Brokers/ Agents and Forwarders	115	83	72%
	Insurance Providers	0	0	NA
	In-Bond Warehouses and Warehouse Services	0	0	NA
	Free Zone Operations	0	0	NA
	TOTAL FOR SUPPORTING INSTITUTIONS	115	83	72%

7.5 Summary of social dynamics indicators

A.4	SOCIAL DYNAMICS	REF	SCORE	%
	Demand for Improvement	95	32	34%
	Government	0	0	NA
	Private Sector and Business Associations	65	12	18%
	Civil Society, Media, and Other	0	0	NA
	Other Groups	30	20	67%
	Supply for Improvement	165	44	27%
	Government	90	18	20%
	Private Sector and Business Associations	75	26	35%
	Civil Society, Media, and Other	0	0	NA
	Interorganizational Dynamics	0	0	NA
	TOTAL FOR SOCIAL DYNAMICS	260	76	29%

Country Assessment Report - Tajikistan

1. Background

Tajikistan is the least developed of the three countries assessed. The country has a population of six million people and features an agricultural-based economy. Its mountainous geography and lack of adequate roads prevent a faster development of domestic markets. Its main exports consist of sales of cotton and aluminum to European countries. It is still dependent on the Russian market for the sale of perishable goods, mostly fruits and vegetables. Cross border trade and transit of goods through Uzbekistan is a major obstacle as Uzbekistan prevents Tajik vehicles from entering. A common practice is to use non-Tajik trucks to move goods through Uzbekistan but individuals will also cross the border on foot and catch an Uzbek licensed carrier to travel on. Now that Uzbekistan has entered EURASEC, it is hoped that there will be some improvement in this situation. It is not only the export/import market that suffers from these problems with Uzbekistan. During the winter months when mountain roads are closed, moving from the south to the north of Tajikistan by road requires transit through Uzbekistan. This raises the cost of getting goods to market and prevents expansion of the domestic industry.

2. Legal Framework

The Customs Code of Tajikistan is basically a copy of the Russian Customs Code with some additional 70 provisions covering free zones and warehouses, payments, customs valuation and recruitment. It is generally compliant with international standards and the Revised Kyoto Convention guidelines. The customs valuation provisions do not mirror the language of the WTO valuation agreement and it may be that some of the language of the provisions is non-compliant. There is no provision covering express consignment shipments. Customs has its own recruitment provisions and normally hires personnel on a short-term contract generally not exceeding three years. Although the provisions are clear as to what is required to become a Customs officer, there is information from the trade community to suggest that these positions are filled in other ways. There is also a lack of instructions and informational material on the law available to the public or the trade community.

The International Intellectual Property Alliance (IIPA) recommended that Tajikistan remain on the US IPR watch list in 2006 for failing to enact the necessary legal reforms it obligated itself to adopt over 10 years ago.

3. Implementing Institution - Ministry of State Revenue and Duties, Customs Department

3.1 Customs Headquarters

Mr. Ibromkhim K. Mirzoev, Deputy Head of the Customs Department, which is part of the Ministry of State Revenue and Duties, commented that Customs is in need of reform and is currently working on a project with the Asian Development Bank which will provide a \$10 million grant for automation and infrastructure improvement. Eurocustoms and the EU are also working with Customs to provide additional equipment for both Customs and the border control agencies. The US Government is building a bridge and providing a customs terminal on

the Afghan border and China is funding improvements to the road from Dushanbe to the new bridge. Customs is ready to discuss any subject of interest and is very eager to improve processing procedures to meet international standards. Customs in Tajikistan has existed only for fifteen years. There are 1,000 Customs employees in five regions with about 30 operations posts.

The new Customs Code, developed with the support of the USAID TFI Project, has been operational for over one year. It is generally compliant with all international standards and Revised Kyoto Convention guidelines. However, to properly implement this new Code there is need for an automation system, post clearance audit controls, and work in enforcement combating drug trafficking and other contraband.

There is need for modernization and improvement of skills of officers. Ten Customs officers recently attended the Russian Customs Academy and Customs would welcome training in any area, with risk management, IT training, and mobile teams working with border guards seen as major priorities. There has been some training on risk management but not enough: most has been in the form of two or three day seminars providing an overview. There is a need for an expert to provide risk management training to 30 officers covering the five regions.

There is also need for more training in principles and methods employed under the post-clearance audit procedures. Post-audit review currently consists of a request for additional documents and a review of outside informational sources, but not visits to traders to review their books and records. There is a department for risk and post-audit and current risk factors are analyzed by reviewing statistical and payment databases. The statistical and payment data is sent by modem from the processing sites to the headquarters office. Data is also exchanged with members of EURASEC. Kazakhstan has recently signed an agreement with China and there is an intent to have such an agreement for data sharing signed between Tajikistan and China.

Most consumer goods are imported from China and the values appear very low. There is some information that invoices may be altered. It was asserted that Customs officers are "very skilled" in valuation procedures but that the traders have no idea how valuation works and become angry when Customs revalues goods. Each Customs region has a consultative committee, and when there are disputes regarding valuation, these are taken to the committee for discussion.

Compliant traders receive benefits of simplified procedures with less documentary requirements but, unfortunately, not that many compliant traders have been identified. Most of the traders do not fully understand the methodology, procedures, and Customs requirements; they undervalue goods and provide misleading descriptions in order to misclassify the goods to receive a lower duty rate. There is a need to provide more informational seminars to traders who are now working through brokers but still need to be knowledgeable about Customs procedures. Mr. Mirzoev thought that training in valuation would be useful for the traders. He also stated that it would be a good idea to develop and publish brochures for the trade community and said that Customs would establish a special working group if expert assistance and funding could be provided.

Customs clearance takes from 3 to 28 days and customs processing appears to be less efficient than in the other countries assessed. More than 60 administrative steps are typically required to process import shipments and 40 such steps are typically required for export, often involving different agencies with little information sharing between them. As a result, the process is cumbersome, leading to higher costs and widespread corruption.

3.2 Dushanbe Customs Terminal

Dushanbe terminal is owned by ABAT and Customs rents office space there. It is the busiest Customs truck terminal in Tajikistan and they receive two to three trucks a day. Customs does not have a loading dock, forklift scales or x-ray or other inspection equipment. The terminal processes declarations from 8:00 am to 5:00 pm five days a week, but Customs has a duty officer present at all other times to receive trucks, which is not necessary. The facility is overstaffed with a total staff of eleven officers; but with the duty officer requirement, there are never that many present at one time. The Customs office in the terminal consists of a short corridor with three to four offices on each side. It is inadequate for any sort of modern customs operation.

A broker must his paperwork to an officer and all of the work is done in his office. It was stated that brokers are “inexperienced” and that Customs officers prepare most of the declarations for them. The broker can only file his declaration with Customs when he has completed the paperwork requirements of other agencies (phytosanitary, veterinary, standards). This can take a great deal of time. Trucks can stay in the terminal for 48 hours, but after that, the trucking companies charge the importer \$100 per day. Brokers must go to the Customs Regional Office to pay their duties and taxes as no collections are made at the terminal itself.

According to the individuals interviewed, Customs officers at the terminal have received no valuation training, but they all understand the law and have no difficulty applying it. The Customs officers expressed an interest in seeing how valuation is done in other countries. After some discussion, they also agreed that joint training with the private sector on valuation would be useful, as brokers and importers do not understand the law.

4.1 Supporting Institutions – Public Sector

Ministry of Economy and Trade

Mr. Jamshed Sh. Sharipov, Head of the Foreign Countries and WTO Department, discussed several projects related to customs modernization and trade facilitation, including the ADB project for customs automation, the USAID TFI project, and the Swiss work on customs reform. The Ministry of Economy and Trade coordinates trade projects in Tajikistan with Customs, the Transport Ministry, other agencies involved in the trade process, such as State Revenue and Duties, agencies responsible for standards, sanitary and phytosanitary measures, and technical barriers to trade. He stated that he had not heard of or detected any duplication of effort and that there has been good cooperation and coordination among the donors. On the issues that appeared to be most problematic for WTO accession and trade facilitation, Mr. Sharipov highlighted the following:

- from a customs perspective, the main issues are valuation and the low level of importer compliance. Customs and the trade community both need additional training. There is concern about undervaluation and there is a possibility of looking at pre-shipment inspection (PSI) firms as a means of overcoming many of these difficulties;
- origin of goods certificate for export of Tajik goods is issued by the Chamber of Commerce and Industry with the fee being based on the ad valorem value of goods rather than on actual service;
- a market access of goods listing has been provided to the WTO and is in discussion with the EU and US, although there are still some issues on standards, commodity exchange, fees for certificates of origin, and quota allocations on alcohol products. Tariff rates are not an issue as they are low;
- the Tajik Trade Commodity Exchange and the manner in which contracts were written and prices were set for products traded on the exchange indicate a lack of clarity and transparency. He also indicated that they are not sufficiently engaged in trade facilitation issues;
- the use of internal standards presented problems to traders;
- accreditation and certification were under one agency which presented some difficulties. It would be easier if the accrediting entity did the certification;
- quota and licensing for alcohol products and the allocation of quotas.

Mr. Sharipov expressed concern that the number of business associations is inadequate. Government agencies cannot work with each individual company and associations should exist to represent a broad membership in negotiations or government meetings. One of the USAID projects did support a business council, but once their financial assistance came to an end, there was no funding available to continue the process. There is a Customs Committee, involving several ministries, studying simplified procedures and they have until 2006 to finalize their work. Many government licensing requirements have been eliminated. There were some 1,250 professions subject to licensing and now there are only 120 that require licenses. That number will be reduced to 68 under new legislation.

4.2 Supporting Institutions – Private Sector

4.2.1 Freight Forwarders

One freight forwarder interviewed stated that under-the-table payments are rampant and that a big part of his business is having enough experience to know what the minimally acceptable payments are. Without that experience, the traders get gouged and pay too much. Payments average \$400 to \$500 to release a 40 foot container. It was stated that officers will “fix” entries to provide significantly lower duty rates and that they will sell permits allowing importers to take possession of their goods before they have been released by Customs. In this firm’s experience, officers establish their own client base of traders with one officer specializing in handling the declarations of several specific traders. Customs jobs that pay from \$50 to \$100 a month are either bought outright or “contracted” with the stipulation that the officer pay \$500 a month.

The Government says it wants to reduce corruption but nothing significant has been done. The biggest problem is low salaries. It was suggested that Customs officer salaries should be at least \$300 a month as a start to addressing the corruption issue. It was also mentioned that

corruption in Customs is about the same as in other government departments, but not as bad as the Road Police, which is considered the most corrupt department. Reform proceeds slowly in Customs. Some Customs officers were removed from their jobs when the Russians caught goods being fraudulently entered with the assistance of Tajik Customs officers and reported it back to the Government.

Clan-based monopolies control much of the trade but this situation is slowly improving because of the increased presence of foreign based companies operating in the country that are not afraid to take their complaints to the government. Tajik businessmen fear reprisals and hesitate to complain. Government needs to be more transparent to businessmen. Another part of the business is maintaining a so called “roof” or an influential government contact who will intervene on a firm’s behalf.

4.2.2 Brokerage Firms/Clearance Specialists

There are currently 26 customs brokerages in Tajikistan. The Ministry of State Revenue and Duties provides two months of training and designates graduates as certified customs specialists. A brokerage must be a Tajik company and must have at least two Customs specialists. Government entities and Customs officers cannot perform broker activities. An active brokerage will average 15-20 customs transactions daily and 90% of these are import transactions. In 2000, as a conditionality of the Asian Development Bank’s automation project, the Customs Committee invited all brokers to a meeting to form the Association of Customs Brokers of Tajikistan. At its initial meeting, officers were elected and a charter was approved and registered with the Government. The Association has never met again.

One broker interviewed stated that other government agencies cause more delays at the border than Customs does and that a one-window concept was badly needed. The current order of processing at the border is as follows: Border Police, Transportation Control (for roadworthiness issues), Veterinary Services (if animals or animal products), Phytosanitary (if produce is involved), Sanitation Control (if food products are), and finally Customs.

He also felt that businessmen were largely unaware of how to obtain the documents required by the other agencies. This lack of knowledge, coupled with threats from these other agencies to open and inspect trucks at the border at their discretion, are used to extract bribes. Permits are issued based on unofficial payments and his experience suggested that there is no other way of doing business other than by unofficial payments and by having contacts within the agencies. The better one’s contacts, the lower the unofficial payments. If such arrangements are made, goods can be released in one day. If not, it will take a month. The function of a Customs broker in Tajikistan is primarily to know how to obtain the release of good with the least acceptable costs, whether official or unofficial.

It is estimated that around 47% of the government’s budget comes from Customs revenues. However, 75% of excise and consumer goods are entered into the country solely on unofficial payments and lacking any Customs documentation. A recent study suggests that without corruption, customs revenues might have been 15 percent higher or more. The broker suggested that the head of a department that works with commodities generally has to pay the

equivalent of \$20,000 per year for his job. Customs managers who do not meet their revenue targets are fired.

The Customs law is written in such a manner that procedures are to be conducted in accordance with 'instructions from Customs.' There are no written procedures and Customs does not want to publish written procedures, according to this source, in order to provide maximum discretion to the customs officers. The new Customs law was written as a conditionality of WTO Accession, but there is little if any intention to implement it as written.

Business, transport and customs broker associations will only be able to represent client interests effectively if they develop into strong, broad-based, and independent organizations. In this context, releasing the Truckers Association from its present administrative ties with the Ministry of Transport would be desirable.

4.2.3 Importers/Exporters

One case was offered as a typical example for several Tajik sectors. Russia is the primary market for Tajik produce but it is very difficult to move produce to Russia at a competitive price due to poor road infrastructure and transportation costs. Produce exported to Russia must pass through Uzbekistan and the Uzbek government is unfriendly to Tajik trade and delays caused by their border authorities result in the spoilage of goods. The railroad does not have adequate refrigerated cars. A delegation of businessmen from Kazakhstan recently traveled to Tajikistan to look into buying produce for their market and found that the local prices made export to Kazakhstan unprofitable. Small farmers are also faced with high fuel and fertilizer costs and with the lack of packaging facilities and equipment. The roads they use to get their produce to market are mostly unpaved. Two large Tajik companies purchase produce from small farmers at very low prices and resell them within the country. Russia occasionally sends a large cargo plane for large shipments but farmers are not benefiting.

Another consistent theme is that high import taxes (duty + VAT + Customs fees) average 28% and result in the majority of consumer goods, most of which are low-quality Chinese goods being imported by shuttle traders, entering the country without any Customs declaration.

There are seven agencies working at the borders and they do not want to defer to Customs. The Standards Agency is the biggest problem, requiring certification for all products. They need to have one window at the borders before they can work on a one-stop border crossing system.

4.2.4 Carriers

One firm interviewed had been in Tajikistan since 1993 and is also a Customs brokerage. They handle 60% of courier and small cargo shipments and process 1,000 inbound shipments and 500-600 outbound shipments monthly. Tajikistan does not have any provisions in its Customs law for expedited or simplified release of courier shipments. It takes 24 to 72 hours to obtain cargo release but only 1 to 2 hours for document pack release. Customs currently performs these releases at the airport but is now considering making couriers transport goods to the postal processing center near the rail yard. This has not been finalized. A major problem

identified by this firm is that businessmen do not know about Customs procedures and Customs is not eager to educate them.

All trucks crossing the border must go to specified Customs terminals to file declarations, pay duties and taxes and obtain release. TIR Carnet trucks, trucks belonging to approved Customs carriers and trucks belonging to low risk companies with surety may proceed unescorted from the border to the terminals. Other trucks are held at the border until a convoy can be arranged with Customs escort. Officers need training in the TIR Carnet process and in other international transport conventions and procedures.

Most freight moves by rail as Tajik truckers are generally not allowed to operate in other countries. To export by truck, an Iranian or Turkish truck is generally used and they are very expensive.

The World Bank Trade Diagnostic Study recommended reducing the number of road police by 50% to reduce transportation costs resulting from unofficial payments at police checkpoints.

5. Conclusions

Tajikistan Customs is the least-developed customs department of the three countries assessed and is still in need of a great deal of long-term development and training assistance from donors. There is no automation and no apparent inspectional equipment available. The Tajikistan Customs Code is based on the Russian Customs Code and is generally compliant with international standards, but there are no implementing procedures and there are no clear customs clearance instructions available to the trade community. The salary of Customs officers does not cover even the most basic living requirements and it is understood that many need to supplement their pay by accepting outside payments to overlook violations or expedite clearance. Based on conversations with the private sector, most if not all of the employees are hired directly by Customs on short-term contracts.

Private sector interviewees stated that most consumer goods enter the country without the filing of proper documentation or official Customs clearance, and it appears that based on an average rate of 28% additional duties and taxes over landed costs and the cumbersome documentary procedures, it is cheaper and more efficient to clear goods by making such payments. However, even with the high number of goods entering the market as contraband, Customs still accounts for roughly one half of the government's revenue, highlighting the importance of this agency to the government.

Customs indicated that they would welcome additional assistance from international donors and would be willing to work on drafting instructions on Customs procedures. There is also some need to assist in the drafting of additional provisions to the Customs Code, such as those covering express consignment operations. An additional need identified is to work towards promoting proactive business advocacy groups, such as the newly-founded but non-operational brokers association, and promoting the work of Customs Consultative Councils to foster cooperation between the government and the businesses sector on customs and trade issues.

Eurocustoms and the Asian Development Bank both have projects scheduled to begin in 2006. Eurocustoms will assist in the training and procedural areas, while the ADB is planning a large overall automation effort.

6. Review of Assistance Provided, Current Needs and Recommendations (Action Plan)

This section reviews technical assistance and support that has been provided in several key customs and trade areas in Tajikistan. It also identifies and highlights current needs for continued assistance from the international donor community.

Customs Legislation

- USAID's TFI project assisted in the development and adoption of a new Customs Code based on the Russian code that is mostly compliant with the WTO and Kyoto.
- However, the Code has not been implemented effectively as Customs has not issued any implementing instructions and is not inclined to provide written instructions to the trade community. This fosters an environment in which officers have a great deal of discretion.
- The World Bank Trade Diagnostic Study recommends that the new Code and related secondary regulations need to be further modernized, stating that the sections regarding customs valuation, intellectual property provisions, and user fees appear to require revisions.
- The EAEC is assisting in harmonizing Customs Codes in the region.

Recommendation: The work on the customs legislation by the USAID TFI project should be continued, with the goal of simplifying the law and publishing clear and concise instructions, including printed brochures or other materials that can be widely distributed to the trade community. This effort would benefit from the participation of the trade community.

Valuation

- The ADB-sponsored Uniform Automated Information System specifications include a WTO valuation database. Development will begin in 2007.
- Customs officers have received no expert training in valuation procedures. Training in valuation would be equally useful for traders as would clearly written instructions on how the valuation law is to be applied and how value databases may be used in a manner that is consistent with the WTO Agreement on Customs Valuation.

Recommendation: This training should include relevant Customs managers as well as line officers and Customs instructors. It should also be open to brokers, certified customs specialists, and importers. The best way to ensure that Customs officers implement the valuation regulations as intended is to also train the traders so that they are aware of the correct procedures and can resist Customs officers' attempts to exercise their discretion in an improper manner. Training is required in valuation, common international business procedures and best practices. Training should be provided by experts who are knowledgeable in customs processes and are experienced group facilitators. It should focus on achieving mutual understandings, accomplishing joint efforts (such as drafting new instructions) and generally be results-oriented.

Integrity and Human Resource Management

- No technical assistance is being provided by any donor organization specifically addressing corruption, which is generally perceived as being too pervasive and too difficult to deal with. Training would achieve very little since there is no motivation for Customs officers to do things correctly.
- The World Bank is supporting a project aimed at strengthening the Civil Service system. This is a much-needed effort as each ministry currently has its own hiring procedures.
- The five year ADB project due to begin in 2007 will conduct periodic survey of traders' and brokers' perceptions of corruption and quality of customs services. The ADB project will also support the development of effective HR policies and procedures and automation of HR records.
- Additional technical assistance would be warranted if the government and Customs can be convinced to accept the need for such assistance and demonstrate the political will for integrity reform.

Recommendation: USAID and other donors should come together to insist on an integrity evaluation and action plan to address corruption within Customs. This assessment should address in depth the economic impact of Customs corruption on government revenues. Such an assessment would likely need to be made a conditionality of any future technical assistance.

Simplification of Procedures

- On a regional basis, the EAEC is promoting the simplification of customs procedures and documentation, standardization of electronic forms, transition to uniform administrative records, the use of a unified customs database and control of transit trucks, and a one-stop single electronic window.
- The five year ADB project due to begin in 2007 will include a component to review and ensure that customs practices and procedures are in line with the Revised Customs Code, Revised Kyoto Convention, and customs-related WTO agreements; and that automation and procedural changes reinforce each other. Border-post procedures will be streamlined in consultation with the other border agencies and private sector stakeholders.
- CAREC will be working on "one-stop" and "single electronic window" services for traders and the business community.
- USAID's TFI project published an International Trade Guide on the internet but it was not printed or otherwise distributed.
- Customs indicated that it would establish a special working committee to develop trade guides and brochures if technical assistance and funding were provided.

Recommendation: No significant additional technical assistance requirements were identified in this area at this time.

Risk Management

- CAREC has assisted in identifying a "baseline of compliance" for traders, published a Central Asia Risk Management Guide and sponsored risk management and post-entry audit seminars in Shenzhen, China and Tokyo. Customs said this was useful but they would like additional training for 25-30 officers.
- Eurocustoms is starting a one year project to develop and implement a risk management

strategy, set up central risk information and analysis, develop valuation, origin, classification, and fraud databases.

- The ADB-sponsored Uniform Automated Information System specifications include risk management and intelligence. Development will begin in 2007.

Recommendation: No significant additional technical assistance requirements were identified in this area at this time.

Post-Clearance Audit

- Eurocustoms is starting a one year technical assistance project that will develop and implement a post-clearance control strategy, develop a fraud database, develop financial fraud analysis procedures, train senior and middle management in post-clearance control methodology, provide study tours for middle management, and provide a due diligence model to ensure that Customs provides the business community all necessary information.
- The ADB customs modernization project due to start in 2007 will include a post -clearance control module.

Recommendation: No significant additional technical assistance requirements were identified in this area at this time.

Information and Communications Technology

- The ADB project, expected to start in 2007 will develop a Unified Automated Information System (UAIS) that will include communications infrastructure, hardware procurement, and software development for core application processes. Specifications include the following modules: import and export processing; passenger entry; cargo and baggage tracking; valuation; trade compliance and post-entry audit; risk management and intelligence; human resources management; and statistical, legal management, financial management, and general services management modules.
- The U.S. Export Control and Related Border Security Program (EXBS) is installing a communications system that will link all border stations.
- CAREC sponsored regional e-government and automation forums Seoul in December 2005 and Singapore in January 2006.

Recommendation: No significant additional technical assistance requirements were identified in this area at this time.

Intellectual Property Rights

- Tajikistan remains on the US IPR watch list and knock-off and counterfeit goods were visible in stores and markets in abundance.
- The International Intellectual Property Alliance (IIPA) recommended that Tajikistan remain on the IPR watch list in 2006 for failing to enact the necessary legal reforms it obligated itself to adopt over 10 years ago.
- The USAID TFI project recommended regional IPR training.

Recommendation: Technical assistance in this area would be ineffective until Customs implements a reasonable level of controls to ensure that at least the majority of consumer goods

are officially declared rather than being allowed to enter the country without declaration by corrupt officers.

Training Development

- Eurocustoms is providing technical assistance to review the existing customs training system and training center management, to design basic and advanced course modules on priority customs topics to deliver training material, and to training Customs officers in groups of 20. They will also provide train-the-trainer training and a study tour to an EU customs training center and are supporting the development of a Customs training center and assisting in detector dog training.
- Russia supports Tajik officers attending their Customs academy.
- The ADB project will include a training component focused on familiarization with best practices, study and familiarization tours, developing in-house training capabilities and change management.

Recommendation: No significant additional technical assistance requirements were identified in this area at this time.

Border Management and Infrastructure

- The EAEC is working to harmonize Customs procedures to improve checkpoints at external borders of countries participating in the Customs Union, with the future goal of having only Customs and border guards stationed at the border. Other agencies would be moved to inland processing sites. This effort should be supported by all donors.
- The EU/UNDP BOMCA program is providing technical assistance to strengthen the capacity of border guards. Areas of assistance include policy advice, information sharing among the countries joining the program, and limited civil work. BOMCA is now transitioning to provide support to further trade facilitation in the movement of legal goods and people
- The EU/UNDP CADAP program has provided assistance to provide drug control equipment and training, legal assistance, and help with the set-up of intelligence and monitoring systems for the prevention of drug trafficking.
- The EU Transport Corridor Europe-Caucasus-Asia Program provides equipment for selected border posts, such as search and scanning equipment, and scales.
- USDOS EXBS provides training for customs officers and border guards, and equipment for anti-smuggling, control of weapons, and radioactive substances.
- The five year ADB project due to begin in 2007 will rehabilitate or construct about 50 border posts. These posts will receive operations and anti-smuggling equipment.

Recommendation: No significant additional technical assistance requirements were identified in this area at this time.

Customs Brokers and Trade Associations

- A Brokers Association was formed as a conditionality of the ADB automation and infrastructure project. This was apparently a perfunctory response to the conditionality since the association never met again after approving its charter and electing officers.
- A professional broker community must be encouraged in order to lobby the government for

real reform and for a firm stand against corruption. Although workshops and forums have been held by international donors to encourage private sector involvement and input, no major initiative has been taken far enough to permit structured consultations between the private and public sectors or viable public-private partnerships.

- The dialogue and partnership with the business community needs to be deepened. Business, transport and customs broker associations will only be able to represent client interests effectively if they develop into strong, broad-based, and independent organizations. Until businessmen understand more about the customs and related laws and procedures, they will be unable to effectively lobby the government for real reform and for a firm stand against corruption.
- Business, transport and customs broker associations will only be able to represent client interests effectively if they develop into strong, broad-based, and independent organizations. In this context, releasing the Truckers Association from its present administrative ties with the Ministry of Transport would be desirable.
- The USAID TFI project established Customs Consultative Councils in each region.
- USAID supported a business council but once their financial assistance came to an end, there was no funding available to continue the process.

Recommendation: The Brokers Association should be revived, supported and provided training and technical assistance so that it can become an effective representative and advocacy organization. The Regional Customs Consultative Committees established through the TFI program should continue to be supported with the goal of making them effective representative bodies. The objective of this assistance would be to increase the private sector's knowledge and expectation of Customs in the hopes that they will eventually come together as a political force to pressure the government to begin addressing the corruption that is widespread throughout the public sector.

Business, transport and customs broker associations will only be able to represent client interests effectively if they develop into strong, broad-based, and independent organizations. In this context, releasing the Truckers Association from its present administrative ties with the Ministry of Transport would be desirable.

Transit and Transport Procedures

- CAREC and the IRU are pursuing several bilateral initiatives including harmonization of cargo manifests and providing one-stop and single electronic window services. CAREC has worked to facilitate transit between the Kyrgyz Republic and Tajikistan. China co-sponsored a regional forum on TIR accession and regional transit arrangements in Shanghai in October.
- EAEC is promoting a joint interstate program to equip the borders of EEC member countries with facilities for the customs control of heavy transport and containers and a joint interstate program to establish a uniform automated information system for the control of transit transportation by the customs services of EAEC member states.

Recommendation: No significant additional technical assistance requirements were identified in this area at this time.

7. TradeStream™ Ratings

The full TradeStream™ assessment tool includes four separate segments: Trade Flows, People Flows, Financial Flows, and Infrastructure. Within each TradeStream™ segment, four key dimensions of the trade and commercial environment are addressed: 1) legal framework; 2) implementing institutions; 3) supporting institutions; and 4) social dynamics.

Through research and interviews, the assessors consider hundreds of indicators across the dimensions and segments. These indicators are analyzed to create country trade facilitation and security ratings. This analysis provides a comprehensive and dynamic view of the interaction of the laws, institutions, supporting institutions and other factors involved in security and facilitating trade. The ratings are presented on summary sheets showing the main categories of each segment and dimension.

Due to the time, budget and scope constraints of the Central Asia assessment activity, the evaluation team focused on the Trade Flows segment of the tool. The primary focus of this segment is the Customs function and key facilitation and capacity issues within this function, including customs administration and operation of clearance procedures, automation, risk assessment, integrity and comparisons against international standards. Within the Trade Flows segment, primary attention was paid to the legal framework, implementing institution (Customs), and supporting institutions (private sector) dimensions and interviews and research focused on these areas. For categories in which insufficient information was available for the assessment team to provide a rating, no rating was entered and the cumulative total reference score possible was adjusted accordingly so that the actual scores and percentages did not reflect data that was not present.

7.1 Summary of TradeStream™ indicators

TradeStream™
Indicators for Trade Flows Segment
TAJIKISTAN

	DIMENSION	REF	SCORE	%
A.1	LEGAL FRAMEWORK	1055	761	72%
A.2	IMPLEMENTING INSTITUTION	1140	314	28%
A.3	SUPPORTING INSTITUTIONS	215	63	29%
A.4	SOCIAL DYNAMICS	260	68	26%
	COMBINED SCORE	2670	1206	45%

7.2 Summary of legal framework indicators

A.1	LEGAL FRAMEWORK	REF	SCORE	%
Customs Agency: Organization		165	100	61%
Personnel: Recruitment, Training and Retention		60	36	60%
Management		25	18	72%
Integrity		80	46	58%
Customs: Operations		560	436	78%
Laws and Regulations regarding General Import-Export Activities		170	160	94%
Laws and Regulations regarding Import Activities		45	29	64%
Laws and Regulations regarding Export Activities		10	6	60%
Laws and Regulations regarding Transit Activities		25	19	76%
Automation		10	9	90%
Customs Brokers		30	23	77%
Trade Data		10	9	90%
General Enforcement Procedures		95	53	56%
Valuation, Classification and Country of Origin		15	15	100%
Risk Assessment/Selectivity		5	5	100%
Special Enforcement Activities		10	10	100%
Investigation		50	38	76%
Intelligence		15	15	100%
Audit		10	10	100%
Cargo Security		60	35	58%
Restricted Goods		255	185	73%
Strategic Goods		80	68	85%
Laws and Regulations regarding Intellectual Property Rights (IPR)		115	75	65%
Food-Related Goods		60	42	70%
Laws and Regulations regarding Services		0	0	NA
Enforcement of Laws		75	40	53%
TOTAL FOR LEGAL FRAMEWORK		1055	761	72%

7.3 Summary of implementing institution indicators

A.2	IMPLEMENTING INSTITUTION	REF	SCORE	%
	Customs: Organization	335	61	18%
	Personnel: Recruitment, Training and Retention	105	19	18%
	Management	145	22	15%
	Integrity	85	20	24%
	Customs: Operations	740	245	33%
	<i>General Import-Export Procedures</i>	<i>505</i>	<i>198</i>	<i>39%</i>
	Clearance Procedures General	140	56	40%
	Clearance Procedures: Import	130	51	39%
	Clearance Procedures: Export	60	27	45%
	Clearance Procedures: Transit	25	9	36%
	Automation	90	18	20%
	Broker Regulation	40	27	68%
	Trade Data	20	10	50%
	<i>General Enforcement Procedures</i>	<i>235</i>	<i>47</i>	<i>20%</i>
	Valuation, Classification and Country of Origin	70	9	13%
	Risk Assessment/Selectivity	85	9	11%
	Special Enforcement Activities	0	0	NA
	Inspectors	80	29	36%
	Investigation	0	0	NA
	Intelligence	0	0	NA
	Audit	0	0	NA
	Cargo Security	0	0	NA
	Restricted Goods	0	0	NA
	Strategic Goods	0	0	NA
	Intellectual Property Rights (IPR)	0	0	NA
	Quotas	0	0	NA
	Cooperation with Public Sector	0	0	NA
	Cooperation with Private Sector	65	8	12%
	Services	0	0	NA
	TOTAL FOR IMPLEMENTING INSTITUTION	1140	314	28%

7.4 Summary of supporting institution indicators

A.3	SUPPORTING INSTITUTIONS	REF	SCORE	%
	Supporting Public Institutions	0	0	NA
	Border Patrol	0	0	NA
	Trade Policy Agency	0	0	NA
	Food Safety and Security Agency	0	0	NA
	Export Control Agency	0	0	NA
	Intelligence Services	0	0	NA
	IPR Agency	0	0	NA
	Supporting Private Institutions	215	63	29%
	Exporters and Importers	100	13	13%
	Brokers/ Agents and Forwarders	115	50	43%
	Insurance Providers	0	0	NA
	In-Bond Warehouses and Warehouse Services	0	0	NA
	Free Zone Operations	0	0	NA
	TOTAL FOR SUPPORTING INSTITUTIONS	215	63	29%

7.5 Summary of social dynamics indicators

A.4	SOCIAL DYNAMICS	REF	SCORE	%
	Demand for Improvement	95	33	35%
	Government	0	0	NA
	Private Sector and Business Associations	65	9	14%
	Civil Society, Media, and Other	0	0	NA
	Other Groups	30	24	80%
	Supply for Improvement	165	35	21%
	Government	90	18	20%
	Private Sector and Business Associations	75	17	23%
	Civil Society, Media, and Other	0	0	NA
	Interorganizational Dynamics	0	0	NA
	TOTAL FOR SOCIAL DYNAMICS	260	68	26%

Section D. Recent, Ongoing and Planned Customs and Trade Assistance Activities in Central Asia

This section reviews technical assistance and support that has been provided or is being provided in several key customs and trade areas by major international and regional donors.

Donor and Program	Description of Program
Eurocustoms Customs Assistance Programs	<p>Eurocustoms has just begun one year projects in Tajikistan, Kazakhstan and Kyrgyzstan. Eurocustoms will coordinate a series of specific short term technical assistance activities by serving Customs officers from EU member countries. Eurocustoms is a joint coordinating group formed by the EU with the purpose of coordinating and providing customs technical assistance. The projects will include the following elements:</p> <ol style="list-style-type: none"> 1. Officer Training <ul style="list-style-type: none"> • Review existing Customs training system and Training Center Management • Design basic and advanced course modules on priority customs topics and deliver training material • Train Customs officers in groups of 20 in the above modules over a period of six months • Organize train-the-trainer training • Provide a study tour for 4-6 key management staff of the Customs Training Center to one or more EU member states to review training schools 2. Drug Detector Dogs <ul style="list-style-type: none"> • Develop a drug detecting dogs and dog handlers management strategy • Provide training in Almaty Regional Dog Training Center for ten Tajik officers • Develop a quality of knowledge and efficiency of dog handlers to European standards • Procure ten detector dogs for program • Study tour for 4-6 key management staff to an EU member state's dog training school 3. Customs Investigative Units and Mobile Patrol Groups <ul style="list-style-type: none"> • Increase the capacity of the Customs investigations unit • Define the position and allocation of mobile patrol groups with the Customs of Tajikistan • Train senior and middle management • Implement a comprehensive intelligence and information system 4. Risk Analysis and Post Clearance Controls <ul style="list-style-type: none"> • Review and strengthen the current process for risk analysis and post clearance control • Develop and implement a strategy for risk management and post clearance control throughout Tajikistan • Set up central risk information and analysis • Develop database on customs valuation, origin, classification and integrate into Customs computerized system

	<ul style="list-style-type: none"> • Develop a process and database for economic, commercial, and financial fraud analysis • Train senior and middle management in risk analysis, selectivity and post clearance control methodology • Provide a study tour for to one or more EU member states for 4-6 middle management officials to acquaint them with risk analysis, selectivity and post clearance control audit issues • Provide a model due diligence to ensure that Customs provides business community all necessary information • Develop a methodology for drafting MOUs with business community
Asian Development Bank (ADB) Central Asia Economic Program, Regional Trade Facilitation and Customs Cooperation Program	<p>Trade facilitation with a primary focus on customs modernization and reform.</p> <ul style="list-style-type: none"> • Create a regional forum to address modernization and reform areas of common interest, and support an integrated trade facilitation approach through interagency cooperation and partnership with the private sector. • Bi-lateral cooperation has been enhanced. Customs codes of KG and TJ have been revised to meet international standards; modernization and infrastructure projects have begun; and IT master plans are being implemented for these two countries. An UZ chaired working group is addressing electronic data exchange among member countries. Business process reengineering for MON and AZ has begun. ADB has provided country specific and regional training in such areas as risk management, customs intelligence, and post entry audit. <p>Recent and current activities of the CAREC are:</p> <ul style="list-style-type: none"> • In 2006, several bilateral initiatives are being pursued including joint customs control pilot-testing between Kazakhstan and Kyrgyz Republic, harmonization of cargo manifests between Kazakhstan and the PRC, and joint customs control between the PRC and Mongolia. • The PRC Customs General Administration has agreed to sponsor two training programs in Shanghai Customs Academy in May and September 2006 for Kazakhstan and Mongolia customs officials. • The International Road Transport Union as well as private transport operators has joined the Program to support the transit development initiative. • ADB is supporting the Kyrgyz Republic and Tajikistan with the implementation of the regional customs modernization and infrastructure development project. • A regional forum was held in Seoul on 5-8 December 2005 to share Korea's e-governance solutions and best practices, and to promote cooperation between customs and tax administration agencies through ICT. • Korea is likewise supporting the development of the customs ICT master plan for Kazakhstan. • Customs modernization assessments and master plans for customs automation have been accomplished for Azerbaijan, Kyrgyz Republic, Mongolia, and Tajikistan. Master plans for customs automation being developed by the Kyrgyz Republic and Tajikistan will be presented at workshops organized by Kyrgyz and Tajikistan Customs in July 2006 to seek suggestions and comments on the master plans from the participating countries. • CAREC has developed publications on TIR Customs Transit System, Customs Reforms and Modernization, Risk Management and others.

	<ul style="list-style-type: none"> • The World Bank is currently in dialogue with the Government of Kazakhstan to formulate a customs reforms and modernization project. • A study tour will be organized for Kyrgyz and Tajikistan Customs senior officials by the consulting firms implementing ADB technical assistance. • CAREC has worked with countries at the early stage of introducing risk management systems to assist them in identifying a “baseline of compliance” in relation to traders and companies to be inspected. • A risk management and post-entry audit seminar was conducted in Shenzhen, China in June 2005. • Japan’s application of risk management in customs reform and modernization will be discussed in greater detail during the Regional Forum in Tokyo in April. • CAREC is supporting participating countries’ efforts to provide one-stop and single electronic window services for the business community in the long term, including a joint customs control initiative by Kazakhstan and the Kyrgyz Republic. Kyrgyz and Kazakhstan Customs will soon initiate joint control at the Aktilek-Karasuu crossing point. • Transit agreements have been signed between the Kyrgyz Republic and Tajikistan, and the Kyrgyz Republic and Kazakhstan. • China co-sponsored a regional forum on TIR accession and regional transit arrangements in Shanghai last October, bringing representatives from customs, private freight forwarders and transport associations, and representatives from the IRU, UNECE, United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) and the WCO. • ADB and IRU are jointly supporting the development of a SafeTIR System for Kyrgyz Republic. A TIR training seminar will be conducted by IRU with support from ADB for Kazakhstan, Mongolia and Kyrgyz Republic customs officials and transport operators. • CAREC is supporting efforts to harmonize data requirements for cargo manifests in order to facilitate data exchanges between exporters and importers for the preparation of customs declaration and thus reduce customs clearance time and improve the quality of trade statistics. • CAREC is supporting mutual recognition of customs inspection and Customs seals and stamps. • CAREC has supported revision and dissemination of Customs Codes in the Kyrgyz Republic, Mongolia, Tajikistan. Similar support will be provided for other participating countries for revision of their Customs Code in line with the Revised Kyoto Convention and New Framework of Standards. <p>Azerbaijan, Kazakhstan, Kyrgyzstan, Mongolia, Peoples Republic of China, Tajikistan, Uzbekistan</p>
Asian Development Bank (ADB) Support to Kyrgyzstan Customs	<p>Objective is to improve efficiency and transparency of customs service, to reinforce the ongoing customs legal reforms and simplification of customs and trade facilitation and promotion of regional customs cooperation through modernization. The overall project is for proposed loan and technical assistance grants of \$9.37 million for Customs modernization and infrastructure development. The term of the project is identified as five years. The ADB’s support for Kyrgyz Customs modernization includes several elements:</p>

	<ul style="list-style-type: none"> • Assistance in the form of improving legislation and procedures with follow up action in support for drafting some implementing regulations to the new Customs code. (Also supported through the assistance of IMF, World Bank and USAID.) • Development of the UAIS (Unified Automated Information System) to involve the development of a communications infrastructure; hardware procurement; and software development for core application processes after those processes are reviewed and streamlined. Training in computer skills including application of risk management and post entry audit selections, as well as training in application systems for officers, system administration, network management, system development, and system maintenance are also part of the proposed project. • Second component involves border post infrastructure development both for rehabilitation of border facilities and procurement of operations and anti-smuggling equipment and capacity building to promote border interagency cooperation. • The project intends to include private sector participation in the Customs modernization process. Meeting and consultation with traders and their representatives through the newly created `consultative councils will be a major feature of the Project. This project is in the early stages. Currently the terms of reference are in the drafting process.
Asian Development Bank (ADB) Support to Tajikistan Customs	<p>ADB has a significant mandate in Tajikistan, a \$10M loan project that will focus on (1) developing a uniform Customs automated information system, (2) Upgrading border posts, and (3) Providing training and capacity building assistance.</p> <ul style="list-style-type: none"> • They will have a regional road project in the future and also are planning a second phase trade facilitation project that will also be approximately \$10M. The specifics of the second phase have not yet been finalized. The ADB project was approved in 2004 but has moved slowly to date. Once the consultants are on board they will begin drafting specifications and making recommendations for the IT system, its implementation, change management, etc. (The ADB has already provided some technical assistance to develop an IT master plan) Substantial work is expected to start next year. No decision has been made on the system. It will probably not be ASYCUDA due to high maintenance costs and low levels of Customer satisfaction. The Kazakhstan and Uzbekistan systems are possibilities, but the decision will be up to Customs based on recommendations from the consultants. • The infrastructure component will try to achieve some consistency with current USAID work to build a new border station and is waiting for the consultants to be selected so that they can begin design work. Their concern is sustainability of any infrastructure improvements. • The training component will focus on familiarization with best practices, study and familiarization tours, developing in-house training capabilities and change management. • ADB is not getting into policy issues as they feel that USAID and the EU are covering this area.
USAID Trade Facilitation and Investment Project (TFI)	<p>Project was operational in Kazakhstan, Kyrgyz Republic and Tajikistan since 2001, and in Uzbekistan since 2002. Objective was to improve the trade and investment environment for small and medium-sized enterprises.</p> <p>Activities were carried out to (i) reduce investment constraints, and (ii) facilitate trade, including accession to and active participation in the WTO. Project ended in summer 2006.</p>

	<p>Trade Facilitation component focused on making it easier for businesses to bring products to market. The project:</p> <ul style="list-style-type: none"> • Provided technical assistance to the governments of Kazakhstan, Tajikistan, and Uzbekistan in their accession to the WTO, and to the Kyrgyz Republic in its post-accession commitments; • Supported customs reform by helping host countries bring their customs legislation into compliance with WTO requirements and international best practices; • Worked to facilitate transit by reducing barriers to the cross-border movement of goods and conveyances in the region; • Provided assistance in developing trade services for importers and exporters, such as customs brokers and freight forwarders. <p>Results included:</p> <ul style="list-style-type: none"> • Development and adoption of new customs codes in Kazakhstan, Kyrgyz Republic, and Tajikistan; • Development of international trade guides and integrated tariff for Kazakhstan and Kyrgyzstan and electronic publication of the guide; • Creation of customs consultative councils in Kazakhstan, Kyrgyz Republic, and Tajikistan, to facilitate dialogue among customs officials, traders, and other stakeholders and the resolution of trade-related issues.
European Commission Technical Assistance Initiatives in Central Asia	<p>EU assistance in Central Asia includes the following:</p> <ul style="list-style-type: none"> • Reform and Modernization of the Customs Control Committee focusing on: assistance to the development and management of the Almaty dog training center, legislation, WTO accession, risk analysis management, post clearance audit, training and human resource management. • Reform and Modernization of the Customs Department Kyrgyzstan. The focus of this project is 1) development of a training strategy 2) drug detecting dogs and dog handler training 3) improving the Customs legal framework and 4) modernizing human resource management. • Reform and Modernization of the Customs Department Tajikistan. The focus of this project is 1) development of the customs training center 2) drug detecting dogs and dog handler training 3) strengthening and development of customs mobile patrol units, and 4) risk analysis management and post release control. • Supply of equipment to the Customs of Kazakhstan, Kyrgyzstan and Tajikistan. Ms Brunckhorst mentioned the need to coordinate any equipment that the Customs services may request from the US to make sure they are not asking for the same items and that we are not buying equipment that the EU has already provided or ordered. It appears common practice to send out the identical requests.

European Union (EU) Customs and Anti-Drug Trafficking Programmes for Central Asia	<p>2001 – Tacis Central Asia Drug Action Programme (CADAP).</p> <ul style="list-style-type: none"> • Assist countries in intercepting drug trafficking along major routes by strengthening enforcement at land, sea and airports. • EU drug coordinator for Central Asia stationed in Almaty. Drug control training delivered at ports and legal and judicial assistance and police intelligence training provided. <p>2002 – Tacis Customs Programmes</p> <ul style="list-style-type: none"> • Modernize region’s customs services. Assistance with revenue collection, trade facilitation, international cooperation, and smuggling of illicit goods. <p>Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan</p>
EU Customs and Anti-Drug Trafficking Programs (continued) BOMCA supported by U.S. DOS and Asian Development Bank	<p>2003 – Tacis Border Management Program for Central Asia (BOMCA)</p> <ul style="list-style-type: none"> • Assist border guards with management of borders • Legal assistance and officer training, passenger risk mgt at airports, canine training to KZ, and development of joint border stop between KZ & KG. <p>Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan</p>
United Nations Special Programme for the Economies of Central Asia (SPECA)	<p>The SPECA Project Working Group on Transport and Border-Crossing Facilitation (PWG-TBC) on 24 March 2005 agreed to focus on the following areas in its work program for 2005–2006: planning and design of SPECA road and rail networks; creation of national transport facilitation committees and commissions; accession to and implementation of international conventions recommended by the working group; establishment of databases on international routes, major investment projects, and border-crossing issues; analysis of major selected routes within the SPECA region using the ESCAP time/cost methodology; and bilateral consultations between SPECA member countries on border-crossing issues. In 2005–2007, the following UN activities in transport and trade facilitation are ongoing:</p> <ul style="list-style-type: none"> • Capacity building for the development of interregional land, and land and sea, transport linkages (Developing Euro-Asian Transport Linkages component); • Technical assistance for the development of an intergovernmental agreement among the Shanghai Cooperation Organization member states to facilitate international road transport; • Institutional capacity building to facilitate international trade and transport in landlocked and transit countries; • Facilitation of the participation of the Central Asian and Caucasus countries in the meetings of the ECE Inland Transport Committee (ITC); • Demonstration runs of container block trains, to Central Asia and other destinations. • Policy advisory services to interested SPECA member countries on the implementation of ECE transport-related conventions, standards, and regulations.

World Bank Customs, Trade and Transport Initiatives	<ul style="list-style-type: none"> • The World Bank has a new regional trade and transport facilitation project focusing on measuring performance indicators. The first pilot is on the Bishkek-Almaty-Russia corridor. They have identified a total of 7 major corridors and will address rail as well as highway traffic. The second pilot will be the Khorgos-Almaty-Bishkek-Osh corridor. The next round will include Tajikistan and Uzbekistan. The project is working to establish baseline processing times. Their approach is to interview drivers, traders, and customs brokers, conduct measurements of processing times, and place observers in trucks to record stops and delays. • The Bank hopes to put together a comprehensive Customs modernization project for Kazakhstan building on their experience in Russia and Turkey. The Bank is also pursuing a Customs project that will focus on risk management and automation. The IT element has not been fully defined. The Government of Kazakhstan has agreed to proceed with the project and it should become active in January. • The WB prepared an interregional study on trade facilitation, which looked at the key impediments to trade and transport between Central Asia and the neighboring regions of Europe, East Asia, and South Asia. The study outlined a broad range of actions required to improve trade and transport links between these regions.
United Nations Development Program (UNDP) Silk Road Regional Program (SRRP)	<p>2005 – A broad economic cooperation focus, but with some impact on customs areas such trade and transport and tourism.</p> <ul style="list-style-type: none"> • Assist with the revival of traditional economic cooperation in trade, investment and tourism among the Silk Road countries. • Issuance of a Silk Road Multiple entry visa; establishment of a Silk Road Mayors Forum to improve communication among countries. <p>Peoples Republic of China, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan</p>
U.S. Dept of State – Export Control and Related Border Security Assistance (EXBS Program)	<p>1988 – Initial focus on WMD source countries of FSU. Expanded to include smuggling routes, including those of Central Asia.</p> <ul style="list-style-type: none"> • Prevent the proliferation of WMD and related materials by helping these countries’ institutions, including border enforcement agencies, improve their export control. • On-site EXBS advisors in the countries, have coordinated the delivery and installation of non-intrusive inspection equipment and law enforcement training for customs and other border control officers. <p>Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Turkmenistan, Uzbekistan, 33 add’l countries</p>
Eurasian Economic Community (EEC)	<p>2001 – Treaty ratified by member states. Broad focus is to create and maintain full-scale customs union and common market.</p> <ul style="list-style-type: none"> • Promote trade facilitation and improved border control through establishment of a common tariff; development of common guidelines on border security and joint protection of external borders; collaboration on WTO accession; and a united transport system. • Free trade regime functioning: duties and other tariff and non-tariff restrictions among members removed. Four governing bodies created: Interstate Council; Integration Committee; Interparliamentary Assembly; and Community

	<p>Court.</p> <ul style="list-style-type: none"> • Improvement of regional customs services • Establishment of a uniform customs area, uniform standards and procedures, and legal documents • Establishment of a uniform automated information system for the customs units of EEC member countries: simplification of customs procedures and documentation in EEC member countries, standardization of electronic forms, transition to uniform administrative records <p>Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Uzbekistan, observer status: Moldova, Ukraine, Armenia</p>
European Bank for Reconstruction and Development Trade Facilitation Program	<p>Since 1999, the trade facilitation program (TFP) of EBRD has been providing guarantees for trade finance instruments and short-term advances to banks to facilitate foreign trade. EBRD also supports SME development through its direct investment facility and management and business advice program. EBRD has been trying to expand the TFP and SME facility with the cooperation of other donors, including ADB.</p>
UN Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and the Small Island Developing States (UN-OHRLS); Almaty Programme of Action for Landlocked and Transit Developing Countries. Cooperative assistance provided by World Bank, WTO, WCO, ADB, and Eurasian Economic Community (EEC)	<p>2003 – Improvement of trade environment and promote preferential treatment for landlocked countries.</p> <ul style="list-style-type: none"> • Improve trade and transportation infrastructure and simplify customs procedures. • A Roadmap for Implementation of the Almaty Programme of Action has been adopted, and sub-regional meetings have been organized for implementation of the program. No specific progress has been reported. <p>All of the countries of Central Asia and all of the remaining landlocked and transit developing countries</p>
United Nations International Drug Control Program (UNDCP) Central Asian Subregional Drug Control Cooperation Program. Cooperative assistance also provided by Aga Kahn Development Network (AKDN), Europol, Interpol, the Org for Security and Cooperation in Europe (OSCE), and the U.S. DEA.	<p>1996 – Central Asian countries and UNDCP signed MOU for regional cooperation to combat drug trafficking. Joined by Russia in 1998. Azerbaijan signed MOU in 2001.</p> <ul style="list-style-type: none"> • Priorities include to promote national drug intelligence units and information exchange among countries; and to implement joint operations to prevent trafficking of illegal drugs and WMD precursors. • Implementation of a regional program to combat drug smuggling along a key smuggling route involving TJ, KG & UZ; and development of a regional enforcement center in Osh, KG. Plans have progressed for establishment of the Central Asian Regional Intelligence Coordination Center (CARICC). Draft agreement and regulations, have been developed as has a strategy for selecting a suitable CARICC venue from several that have been offered. <p>Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, Russia, Azerbaijan</p>

<p>Economic Cooperation Org (ECO); Council of Heads of Customs Administration (CHCA)</p>	<p>1985 (Iran, Turkey, Pakistan; others joined in 1992) – Transit trade, smuggling and customs fraud, customs capacity building, drug control.</p> <ul style="list-style-type: none"> • Facilitate transit trade in region; prevent smuggling and fraud through info sharing and harmonization of procedures; enhance customs management and technical skills; control drug production, abuse and trafficking. • Transit trade agreement signed but little progress; MOU on info sharing and harmonization of procedures signed, and Customs Offences Data Bank agreement prepared but not yet ratified; two regional customs workshops have taken place and regional training center is planned in Iran; Drug Control Coordination Unit set up within ECO (w/UNODC support). <p>Afghanistan, Azerbaijan, Iran, Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan, Turkey, Turkmenistan, Uzbekistan</p>
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